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What Could Be Next In Federal Tax Hikes

Small Business Goes Online

The Coming Showdown Over Public-Land Use

Innovation

As A Way Of Life

JULY 1994

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How creative entrepreneurs like Alda Ellis of Little Rock, Ark., keep customers coming back

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PHOTO: IWERKS ENTERTAINMENT

Virtual-reality games *represent a particular approach to innovation at Iwerks Entertainment, one of the growing number of companies that prosper and expand by continually honing their innovative edge. Cover Story, Page 18.*

PHOTO: JONATHAN BLOW

Rancher *Ken Spann is urging reduction of proposed hikes in federal land-use fees. Regulation, Page 32.*

VOL. 82, NO. 7

Editor's Note

PHOTO: ©MARK KATZMAN

Hair-products *retailer Tae Wan Cho built an $8 million company from a start-up in a vacant building. Making It, Page 14.*

DEPARTMENTS

Cover Design: Hans A. Baum
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The Real Secret Of Innovation

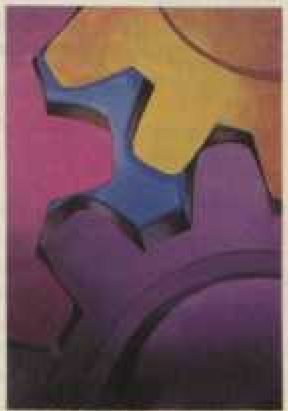

PHOTO: GREGORY LOUDON—STOCKWORKS

It's a familiar story: Through a flash of inspiration or perhaps by accident, the struggling inventor makes the big breakthrough that does in the competition and guarantees fame and fortune. Familiar, but not accurate.

Creativity, the driving force behind entrepreneurial success, isn't a one-time thing but a continuing process. The idea that yesterday's revolutionary invention remains good enough for tomorrow's challenges is a formula for failure. These concepts are detailed in this month's cover story, "Innovation As A Way Of Life" (Page 18), which explains that a climate that fosters continuing creativity can be more important than a single innovation. The article was written by Senior Editor Michael Barrier, our expert on management techniques, and it puts innovation and creativity into a focus and context that will surely help you in your day-to-day battle to stay ahead of the competition.

If you consider the current U.S. tax code as the major league of taxation, it could follow that the Congressional Budget Office is running its farm system.

PHOTO: T. MICHAEL KEZA

CBO maintains a roster of potential tax increases to be called up whenever the performance of squad members at the top begins to lag. And the budget office has all the bases covered as far as new revenue sources are concerned. For a detailed report of what this means to you, see the article on Page 26.

An important part of The Blue Chip Enterprise Initiative®, which *Nation's Business* co-sponsors with the Connecticut Mutual Life Insurance Co. and the U.S. Chamber of Commerce, is letting other small businesses benefit from the experiences of the firms honored. Reports of how these companies overcame adversity appear frequently in these pages. This month, for example, all three of the firms featured in the Making It section (Page 14) are Blue Chip honorees. There might be ideas here for you. Check it out.

Robert T. Gray

Robert T. Gray
Editor

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Letters

Countries That Trade Should Play Fair

It was of great interest to read about U.S. exporters in your May cover story, "A Good Time To Export." Let me suggest that we need a tariff on imports from countries that are only selling to us and not buying from us. Then our trade deficit would disappear.

Leonard W. Becker
Wilton, N.D.

Financing Needed

In his May letter, Walt Buescher incorrectly reasoned that many products sold in the United States are made in Pacific Rim countries because Americans don't ask for American-made products. Actually, U.S. manufacturing has declined because there is no banking or financing for manufacturers. And that is why you will continue to see products on the shelf made overseas.

Charles W. Weinacker Jr.
President
Essential Pet Products, Inc.
Mobile, Ala.

When Documents Are Subpoenaed

The article "What, What Not To Keep On File," in the May issue, had a number of useful recommendations. I would like to expound on one of those points.

The Federal Rules of Civil Procedure has this to say about subpoenaed documents: "A person responding to a subpoena to produce documents shall produce them as they are kept in the usual course of business or shall organize and label them to correspond with the categories in the demand."

I am inclined to agree with the author's suggestion that producing files as they are maintained in the ordinary course of business usually conveys more information to the subpoenaing party than the custodian of the files would probably care to reveal. It is precisely for that reason that the Federal Rules of Civil Procedure discourage or prohibit the restructuring or reorganization of the files. An acceptable (and preferable) alternative is to organize, label, and produce the documents in accordance with the categories sought by the subpoena.

E. Richard Bodyfelt
Bodyfelt Mount Stroup & Chamberlain
Attorneys at Law
Portland, Ore.

Productive Immigrants Are Overlooked

I take offense at the April letter from J.E. Lucas and at others who look at the immigration issue through myopic eyes. I myself am a descendant of immigrants and proud of it. My husband, an immigrant from Nigeria, is a highly qualified and very respected foreign-language teacher in our local school system.

I work with many intelligent, capable persons with degrees, who, as it happened, emigrated from many different countries. The preponderance of productive, tax-paying immigrants is easily and totally overlooked.

Moreover, immigration laws are racist. The Immigration and Naturalization Service acts on the basis of an immigrant's nation of origin, not on the ideal of timely justice.

We who elect our officials should lobby for a restructuring of immigration law.

Dorothy 'Labi
Seattle

Settling Patent Disputes Quickly And Cheaply

The article "Patents: A Stake In The Future," in the March issue, provided the lay person with an excellent overview on the world of patents. The author's cautionary note on infringement was well-put. Quite often, businesses tend to ignore or otherwise give low priority to charges of patent infringement. Some company officers adopt improper or indefensible reasoning to justify stalling or fighting. One favorite approach is, "We developed the product independently," which, even if true, is no defense.

When charged with infringement, a

company should immediately consult a competent patent attorney for advice. The attorney should have skills in the relevant technical field and experience in litigation. The company should also ask the attorney to give a *realistic* quote on the

ILLUSTRATION: WILLIAM COULTER

cost of preparing, filing, and prosecuting a re-examination, and, if necessary, defending an infringement action.

It is important to remember that if you fight and win, you will still get the lawyer's bill. If you fight and lose, you will get the lawyer's bill and you could be put out of business. The goal is to identify the cheapest way to resolve the dispute.

J. Carl Cooper
Registered Patent Agent
PIXEL Instruments Corp.
Los Gatos, Calif.

More On Setting Up A Pension Plan

I read with great interest the article "Pension Options For Small Firms," in the March issue. There were, however, a few points that I feel should be addressed.

The article alluded to a form that a company fills out in setting up a simplified employee pension (SEP) plan: Form 5305-SEP. The company mentioned in the article, however, previously sponsored a pension plan. When that is the case, the company can't use Form 5305-SEP. Instead, it should adopt a prototype plan document or an individually designed plan document that must be submitted to the IRS for approval. A lawyer should usually be consulted.

The article also said that under a 401(k) plan, an employee's contribution can't exceed 15 percent of salary. Actually, an individual's contribution may go as high as 20 percent or $9,240, whichever is less, as long as total contributions on a planwide basis don't exceed 15 percent of total eligible payroll.

Finally, I would like to stress that it is impossible to set up and administer a profit-sharing plan at zero cost, as the accompanying chart suggested.

Paul B. Dugan
Member of the Society of Pension Actuaries
Pension Benefit Designers
Battle Creek, Mich.

Small Practices' Role In Worker Rehabilitation

The article in the May issue on employee rehabilitation, "Helping Injured Workers Heal," ignored the small-business readership. The current trend is toward on-site care and prevention by therapists and ergonomic specialists who are often quite entrepreneurial in their efforts. These community-based practices are adversely affected by the large, national, corporate entities that the article lists.

George E. O'Malley
Physical Therapist
PT plus, Inc.
Harrisburg, Pa.

How To Size Up The National Debt

The graph that accompanied March's editorial showed projected annual budget deficits through 1999. Let me suggest that we are letting government set the agenda. It would be more effective to show the national debt as a percentage of gross domestic product. We need to focus on the total problem.

Carlos A. Gregg, President
Gregg, Bland, & Berry, Inc.
General Contractors
Muscle Shoals, Ala.

[Editor's Note: However shown, the national debt continues to grow rapidly and will need further congressional attention. For a perspective on what Congress might do, see "New Tax Increases On The Horizon?" on Page 26.]

Send letters to Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000, and include your phone number. You may fax your letter to (202) 887-3437. Because of space limitations, we cannot print all letters received, and those selected for publication may be condensed.*

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Managing Your Small Business

The trading game; generating interest; symbols that make statements.

By Roberta Maynard

GOODS AND SERVICES

Can You Benefit From Barter?

For companies that want to attract new business, fill in the downtime, or move excess inventory, barter can be a useful tool. All types of goods and services can be bartered, from a $5 meal to a piece of real estate. It is most advantageous where there are high margins or excess capacity, such as unsold hotel space.

Perhaps the most efficient way to participate in barter is to join an exchange. In addition to maintaining a large network of businesses, exchanges send monthly statements of purchases, sales, and current balances to members. Typically, the exchanges, which are profit-making enterprises, charge an annual membership fee and collect 10 to 15 percent of each trade.

To trade, members use a card that works like a credit card. If you sell $1,000 worth of products to one member, you will receive $1,000 in trade credit, which you can use to purchase goods or services from any other members. For tax purposes, trade income is the same as cash income.

Peter Bartush, president of Picture Perfect Printing, Inc., in Norwalk, Conn., got into barter to expand his customer base when he started his commercial print shop eight years ago.

Now, he buys and sells $20,000 to $30,000 worth of goods and services yearly through the barter arrangement. He uses barter to pay his accountant, lawyer, dentist, and optometrist. He has also used it to acquire items for the business, including carpeting, computer equipment, and even a used van, and to pay bills at resorts and restaurants.

"I am an avid trader," Bartush says. "I won't buy anything without looking at the exchange book first. I work hard at trading because it works so well for me." But he notes that there can be problems. "If you're swamped with 'paying' customers, you don't want to push them off for trade customers," he says. "To avoid slighting [fellow traders], I sometimes have to do work for them at night."

On the buying side, remember that you *are* spending trade credits when you make a purchase through barter. And to get competitive retail prices, businesses should price-shop before buying on trade, particularly for expensive goods, he says.

PHOTO: [illegible]

Professional exchange: *In Norwalk, Conn., printing company owner Peter Bartush, left, uses a barter exchange system to pay his accountant, John Dougherty.*

Start-up or struggling companies are not good candidates for barter. Because there must be enough liquidity to sustain selling a product through barter without receiving direct cash payment, "you want to be a viable, healthy business with enough cash coming in that you can afford to trade," says Michael Hurworth, president of Exchange Enterprises, in Norwalk. Hurworth has 650 client businesses; each pays a few hundred dollars a year to participate.

About 225,000 businesses belong to retail trade exchanges in the United States. The more than 400 exchanges have an average membership of 550.

To help you select an exchange, here are some tips from Robert B. Meyer, the publisher of *BarterNews*, a magazine based in Mission Viejo, Calif.:

- Compare services and fees of barter exchanges in your community. Check the listing of member businesses and their locations to be sure you can get the goods and services you need.
- Find out how much advertising the exchange does for its members.
- Determine how many members of the exchange's total membership are currently trading and how many are on standby or on hold status (meaning they have bought substantially more than they have spent, or vice versa).
- Get a referral list of the exchange's members, and ask them whether they are satisfied with the services. Also, make the usual business reference check with, for example, the local Better Business Bureau or chamber of commerce.

Business owners interested in finding a barter exchange in their area can contact Tom McDowell, National Association of Trade Exchanges, 27801 Euclid Ave., Suite 610, Euclid, Ohio 44132; (216) 731-8030. ■

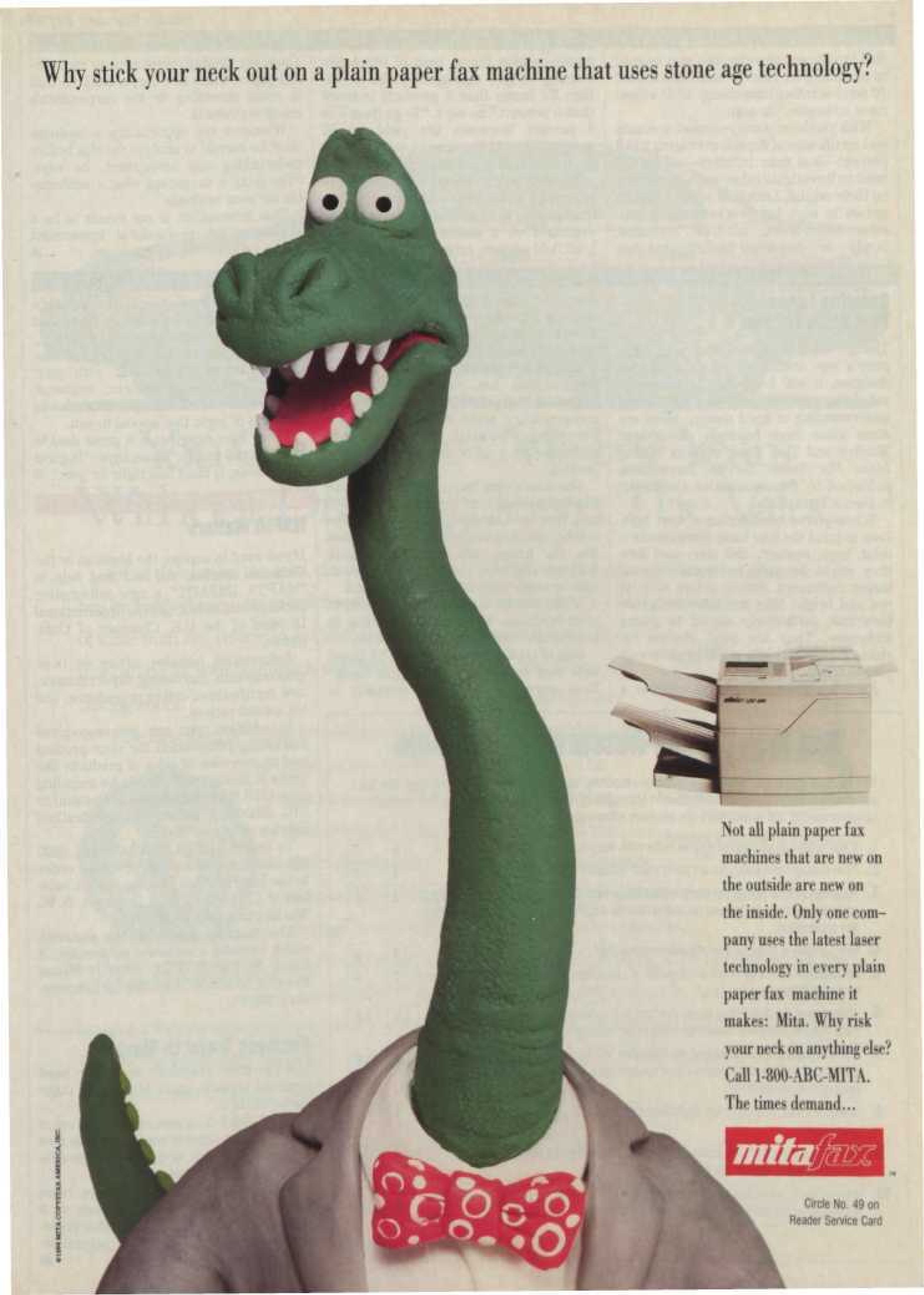
FINANCE

It's Time To Rethink Corporate Investments

Businesses coming out of the recession with revenues either flat or on the rise would be wise to rethink how they are investing their short-term working capital, says Darren L. Luckfield, vice president of business investment services at Merrill Lynch in Princeton, N.J.

Most businesses actually increase their liquidity during recessions, he says. That money typically builds up in cash reserves, where its returns are not being maximized.

"Everyone got spoiled in the late '80s," says Luckfield, "because of CD returns of 8 percent. With interest rates so low over the past few years, businesses gave up trying to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find investment opportunities and seemed to be waiting for rates to head back toward 10 percent rather than change their investment strategies," he says.

With yields on money-market accounts and certificates of deposit averaging 2 to 3 percent—less than inflation—companies need to investigate other ways of earning on their capital, Luckfield advises. "Businesses in high tax brackets might consider short-term, tax-free municipal bonds or municipal-backed, tax-free money-market funds, both of which are starting to give equivalent yields in the high 3's [more than 3 percent] to more than 5 percent," he says. "To go from 3 to 4 percent increases the yield by 30 percent. Now is the time to start looking for these kinds of investments."

Another way to improve the yield is to extend an instrument's maturity. Rather than gaining at an annual rate of 3 percent overnight on a money-market account, Luckfield advises, extend maturity with a 4 percent, 30-day investment in commercial paper, which is a corporate IOU that is rated according to the corporation's creditworthiness.

Whatever the opportunity, a business must be careful to analyze the risk before undertaking any investment, he says. "The thing is to manage what's comfortable for your business."

This information is not meant to be a substitute for professional investment advice tailored to your business. ■

MARKETING

Creating Logos That Work For You

Though the job of designing your company's logo should be left to a graphic designer, it will be easier to achieve a satisfying result if you, too, have some understanding of good design. Here are some ideas from business consultants Marilyn and Tom Ross, authors of *Big Ideas For Small Service Businesses*, published by Communication Creativity, in Buena Vista, Colo.

When you're considering a new logo, keep in mind the four basic components—color, type, content, and size—and how they might be used to appeal to your target customers. Strong colors such as red and bright blue are attention grabbers that particularly appeal to young audiences. They are good choices for stores that sell athletic goods or children's play clothing.

Pastels, on the other hand, suggest a restful or refined quality and might work well for a low-key group of professionals or an upscale hair salon. Metallic gold and silver connote elegance.

Different type styles have different personalities, too, says Marilyn Ross. High-tech companies may opt for a fluid, contemporary style of lettering, while something whimsical could be a good choice for a toy store or a party-planning service.

Consider using any symbol that helps illustrate what your business does, such as a tree for a landscaping company. The symbol can then be depicted in a style that fits the image you want: traditional, modern, abstract, ornate, or functional; lean or solid; innovative or established.

If fast service is an important quality in your business, use lines and shading to incorporate movement into your logo.

Size of type is also important. "A large, bold logo makes a statement in itself," Ross says. "It says the company is aggressive, a pacesetter in the industry. Smaller-size logos are used by firms that want to characterize quiet distinction."

If your budget won't allow for a professionally crafted logo, talk with your printer about using generic emblems, Ross advises. Look through sample books for ideas of logos that appeal to you.

"Your logo contributes a great deal to your overall image," Ross says. "It gives you muscle; it must feel right for you." ■

Test Your Human-Resources Knowledge

Take this quiz to test your knowledge of human-resources issues affecting today's workplace. The test was designed by the Council on Education in Management, in Walnut Creek, Calif. The firm conducts human-resources and employment-law seminars nationwide.

1. If you receive an unsolicited résumé in the mail, you must keep it for two years. T F
2. Time-management principles are pretty much the same in any administrative job. T F
3. Regardless of the type of business or the various laws that may apply, there is a core of common practices for keeping personnel records and files that makes sense for almost any organization. T F
4. Every employer must have an affirmative-action plan. T F
5. An employer must investigate an allegation of sexual harassment even if the victim asks to remain anonymous. T F
6. An employer is not obligated to pay overtime to a nonexempt employee who works more than 40 hours in a week after being asked not to put in overtime. T F
7. If your company is found guilty of discrimination, the Equal Employment Opportunity Commission will be more lenient if your records show that the violation was unintentional. T F
8. Americans with Disabilities Act regulations require companies to maintain written job descriptions. T F
9. Reference checking is an important procedure, despite the fact that many companies won't release this information. T F
10. Your employee orientation and handbook should help assure new employees that they will be part of the team as long as they do a good job. T F

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NB TIPS

NAFTA Matters

If you want to explore the Mexican or the Canadian market, you will find help in "NAFTA IMPACT," a new information package available from the International Division of the U.S. Chamber of Commerce.

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To order NAFTA IMPACT, call (202) 463-5460, or send a check or money order to the International Division, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062-2000.

The member price for the material, which includes a separate publication, *A Guide To The NAFTA: What It Means For U.S. Business*, is $59.95; for nonmembers, $69.95.

Business Travel In Mexico

U.S. business travelers no longer need business visas to enter Mexico for stays under 30 days.

As of April 3, travelers just fill out a short business-travel card, available free from travel agents, airlines, Mexican consulates, and tour operators.

Along with the card, travelers must provide proof of citizenship, such as a passport, a birth certificate, voter registration card with photo ID, or naturalization certificate. NB

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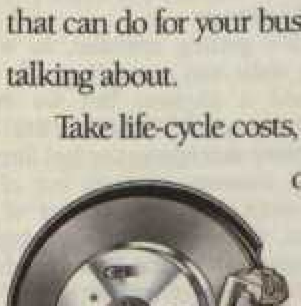

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Entrepreneur's Notebook

By Gail A. Smith

When Not To Work Out Of The Home

In October 1992, I left a small firm that developed interactive training software and, with two partners, started a company that operated out of our homes in the Dallas area.

Once a week, two of us would lug our own desktop computer equipment to a third partner's home to work on the interactive multimedia training programs we were designing. Within the first 30 days, I knew our company, Inmedia Inc., would fail if we continued operating that way.

In a modern rags-to-riches story, someone checks out of the corporate world to start the world's next great company out of a garage or basement. It worked for Apple Computer Inc. and others, but Inmedia is an example of how it doesn't work for everyone.

Our company designs interactive multimedia programs that aid companies in training and marketing. For example, we recently designed a self-paced interactive program for Caterpillar Inc. that teaches the company's dealers and distributors about a new line of truck engines. A user can call up the training program from a personal computer in an office or at home.

Comfort and economy were prime considerations in our decision to operate out of our homes. It was my third try at working where I lived; the first two attempts came between other jobs in corporate sales and sales management.

In launching Inmedia, I discovered five reasons why staying at home would have led to failure:

The Need To "Team." Each partner had different strengths; we needed to work together on every project. Our success was based on a combination of our ideas. Separate home offices didn't provide easy access to one another.

Gail A. Smith is a principal at Inmedia Inc., a Dallas-based company that develops interactive multimedia training and marketing programs using CD-ROM and CD-Interactive. She prepared this account with Nation's Business *Contributing Editor Charles A. Jaffe.*

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

PHOTO: SHOLLY KUPER

To accommodate a growing staff, *Gail Smith is having her office space remodeled.*

An Ambitious Business Plan. Capturing market share that was there for the taking—but only for a short time—meant pursuing new business at top speed. We had to hit our early sales targets to move forward. Working apart most of the time slowed us down.

Client Expectations. Customers get frustrated when they can't get quick answers. Working from home and not having access to a partner when needed made for longer response time.

Focus. It's easy to get distracted at home, to visit a neighbor, do laundry, or start dinner early. I had no time for that. Start-ups can't afford to take their eyes off the ball, even for a few minutes.

Personal Issues. Home has always been my haven. I work long, intense days, but I escape to where I can pull back and approach work the next day with a fresh attitude. It's tough to get away when you know the business is down the hall. For me, that would have led to burnout. In addition, I would have eventually had to alter our home to meet work requirements. But that would have been at least as expensive as renting an office, and work would have further dominated my home life.

My partners adjusted to working at home better than I did, but all three of us soon concluded that we needed office space to perform our best. We moved into the new quarters just 90 days after we started the company.

It wasn't fancy space. We sacrificed some comfort for operational savings and exchanged office luxuries for productivity. We discovered that the companies we serve don't need to see a luxurious office; a well-integrated, creative team operating with minimum overhead meets their requirements for quality and price.

Inmedia finished its first year in the black, and 1994 revenues should reach $1.5 million. Today, two founding principals and seven employees work in the same space that used to house the three original partners.

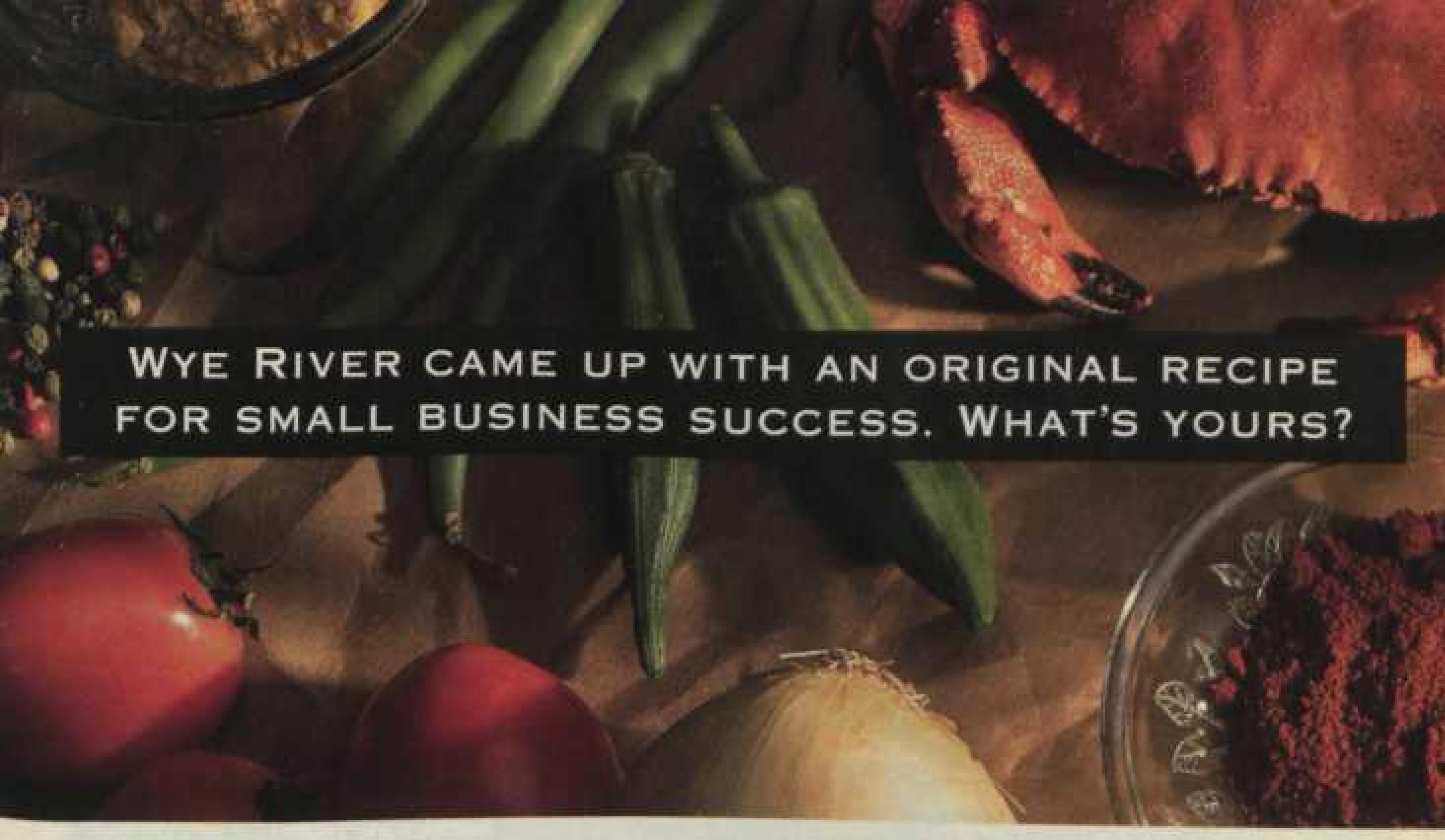
Yes, it's getting crowded, so we are moving walls and expanding. We might even add a kitchen. But we remain conservative about the bottom line.

Too many entrepreneurs feel forced by financial concerns to work out of their homes even when the nature of their business, their organizational styles, or their personal working habits might suggest that they do otherwise.

Locate a company where it can succeed; you may find that home is not where the business is. NB

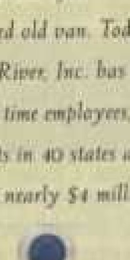
What I Learned

Operating a business where you live can provide comfort and economy, but it isn't for everybody.



A "CRABS TO RICHES" STORY

Ten years ago, Joe Bernard went into the seafood seasoning business. He mortgaged his home, raised $18,000 and moved into a vacant two-car garage. His "fleet" was a battered old van. Today Wye River, Inc. has 10 full-time employees, markets in 40 states and grosses nearly $4 million.



To survive in small business, you have to be creative. The ingredients for success are sweat, commitment and perseverance.

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There are two hundred Blue Chip Enterprises named each year. The top four are honored before a national audience in Washington D.C. And while few have a "crabs to riches" story, every business tells a tale of resourcefulness and determination. Their lessons are shared in a case-history book and video library–yours free for submitting an application.

To qualify, your business must be for-profit, employ between five and 300 people and have been in continuous operation for at least three years. There is no cost, but applications must be received by November 18, 1994. For more information, call 1-800-FOR-BCEI.

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Nation'sBusiness
The Small Business Adviser

Dateline: Washington

Business news in brief from the nation's capital.

GOVERNMENT

Advocate For Small Companies Confirmed

PHOTO: T. MICHAEL KEZA

As an advocate *at the SBA, Jere Glover's priorities will include regulation and financing.*

Jere W. Glover, who has been active on small-business issues in the private and public sectors, is the new chief counsel for advocacy in the U.S. Small Business Administration. The Senate confirmed his appointment May 4.

The office of chief advocate is responsible for examining the role of small business in the economy, measuring the direct costs and other effects of regulation on small companies, and representing small business before Congress and the federal agencies. Glover's responsibilities will also include the preparation of materials for the White House Conference on Small Business, scheduled for June 1995.

David Voight, director of the Small Business Center of the U.S. Chamber of Commerce, welcomed Glover's confirmation. "The position of chief counsel for advocacy is one of the most critical at the Small Business Administration," Voight said, "so it's especially important that it be filled by someone with a solid record of fighting for the goals of small business. Jere Glover is such a person."

At the Senate hearing on his nomination, Glover said his priorities would include the reduction of the regulatory burden on small business and issues related to small-business financing.

Prior to his nomination by President Clinton, Glover was chairman and CEO of a medical-equipment company and a research firm involved in bone regeneration. Both companies are in Washington, D.C. Glover was deputy chief counsel for advocacy at SBA from 1978 to 1981 and held other government positions in the antitrust and consumer-safety fields.

—Albert G. Holzinger

FINANCE

Bankruptcy Legislation Would Speed Up Small-Business Cases

Small businesses, whether as debtors or as creditors, would be affected by bankruptcy-reform legislation pending in Congress. Under the measure, the Chapter 11 process would be simplified to move small-business bankruptcy cases through the courts faster and at lower costs to companies. The most significant change would be the creation of a 90-day deadline for a small firm to file a plan for reorganization after the initial bankruptcy filing.

The bill would create a small-business category under Chapter 11, defined as a commercial activity with aggregate liquidated secured and unsecured debts under $2.5 million as of the date of the petition.

The bill would also improve small companies' chances of emerging successfully from reorganization, according to Howard Beck, a Roanoke, Va., bankruptcy attorney and chairman of the Small Business Reorganization Committee of the American Bankruptcy Institute, in Washington, D.C. He says experience has shown that "the procedures in place for Chapter 11 were not suited for small businesses, that they were too cumbersome, too costly, and too great an administrative burden."

From a creditor standpoint, small businesses would know at an earlier date whether they are likely to receive money from a debtor in Chapter 11.

The bill, the Bankruptcy Amendments Act of 1994, S. 540, passed the Senate in April and was sent to the House. The measure is sponsored by Sen. Howell T. Heflin, D-Ala., and has widespread support on Capitol Hill, but its prospects for passage by adjournment in October are uncertain because of Congress' attention to health care and other issues.

—Roberta Maynard

HEALTH REFORM

Will Congress Tax Health Benefits?

One of the sleeper issues in the debate over health-care reform is whether Congress will tax health benefits, an idea strongly opposed by business and labor.

While other issues dominate the headlines, Congress may yet resort to taxing such benefits to raise the money needed to provide coverage for 38.5 million uninsured Americans.

In a rare show of solidarity, business and labor have joined forces to advocate that health benefits remain untaxed. In late May, every member of Congress received a letter co-signed by the U.S. Chamber of Commerce, the AFL-CIO, and 195 other employer and union groups opposing taxation of health benefits.

Nonetheless, when it comes to financing reform, health benefits that are deductible by employers and tax-exempt for employees present a tempting target: Removing all tax advantages for health insurance would produce an estimated $74 billion in added revenue this year.

Putting a cap on the dollar amount of health benefits that escape taxation is an idea that already has gained some influential supporters in Congress. Rep. Jim Cooper, D-Tenn., has bipartisan support for his Managed Competition Act. The plan would place a cap on employers' ability to deduct health-insurance costs as a business expense and would impose a 35 percent excise tax on employer health expenditures in excess of the cost of the lowest-priced health plan in a region.

Sen. John H. Chafee, R-R.I., takes a different approach. Under his health-reform plan, both employers and employees would pay new taxes. Chafee's Health Equity and Access Reform Today Act would limit the tax exemption to the average cost of those plans that would be grouped in the lower half of all plans in the region according to price. Any additional employer expenditure would be taxable to the employee as income. And the employer's deduction could not exceed the limit.

President Clinton, meanwhile, has essentially sidestepped the issue. Under his proposed Health Security Act, taxation of benefits would not begin until Jan. 1, 2004.

(See the editorial, Page 87, on providing coverage for the uninsured.)

—Roger Thompson

Some of the "little start-ups" you'll find on The Nasdaq Stock Market.

Looking back today, it's hard to imagine that just over 15 years ago Apple Computer began as an idea in a garage in Santa Clara Valley, California.

Or that an entrepreneur in England with a $1.5 million loan would invest in a company and in just ten years turn it into the international conglomerate, Tomkins PLC, worth $4.6 billion.

Or that in 1970 a new computerized stock market would emerge and change the way stocks have been traded for the last 200 years.

Today, just 23 years later, Nasdaq is trading stock in more companies than any other market on earth.

In that time we've watched many little start-up companies like Intel, Microsoft and MCI grow into major corporations.

And although Nasdaq lists companies with market values larger than $20 billion and as small as $10 million, they all share one thing in common. A visionary approach to doing business. And a willingness to challenge the status quo.

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Making It

Growing businesses share their experiences in creating and marketing new products and services.

When Sacrifice Equals Success

By Cheryl Jarvis

Twelve years ago, Tae Wan Cho said goodbye to his native South Korea and set off, he says, "for more opportunity and freedom in the United States." He left behind a wife and two daughters so he could fully focus on launching a business. What business, he had no idea. He also had no capital and no credit rating. He spoke little English.

Cho, who had worked in an import-export business, stayed in Harrisonville, Mo., with an American friend who had served in South Korea. He read in a trade magazine about strong growth in sales of hair-care products for African Americans and decided to open a store in St. Louis. One factor in locating there was the metropolitan area's affordability.

He applied for a $10,000 loan from a local bank but was turned down. He then borrowed $3,000 from the friend in Harrisonville and $2,000 from his landlord in St. Louis.

PHOTO: ©MARK KATZMAN

It took years of hardship, *but Tae Wan Cho and his wife, Young Suk, have built their hair-products company to annual sales of more than $8 million.*

Cho signed a lease for 500 square feet of space on the first floor of a vacant downtown building, where the second floor was condemned. "It was all I could afford," he says. He called the store King's Beauty Supply "because King is a common and respected name in the African-American community," and he painted the name on the window.

The first day, Cho sold $40 worth of merchandise; the first month, he rang up $3,000 in sales. But he couldn't afford to heat his shop that first winter, and much of his merchandise froze. Cash flow was such a severe problem that he could stock only two items of many of his products. He decided everything he made would be reinvested into the business.

"I spent no money on myself," he says. "I paid my bills before I ate. I had no radio, no television, no chair, no sofa, no bed. I did not turn on the heat or the air conditioning in my apartment because I knew I couldn't pay the bills. All I had was a blanket and a 10-year-old Ford Pinto."

Cho spent his weekends in the Pinto, driving to Kansas City, Mo., to buy the products he would sell during the week because he couldn't afford the freight charge for truck delivery. He bought as much as the Pinto would hold, about $1,000 worth of shampoos, conditioners, relaxants, and gels.

For three years, he lived this way, working seven days a week, 10 hours a day. Whether he was selling or sweeping in the store, hauling merchandise, or shivering in his apartment, he recalls, he was thinking about the business.

Finally confident that he could make a living, he sent for his family. Shortly after they arrived, he opened a second store, which his wife, Young Suk, managed.

Today, Cho, 52, operates nine retail stores in St. Louis and sells his products wholesale all over the United States. His company, King's Beauty Supply Distributor, Inc., generated $7 million in sales in 1993, and Cho expects sales of $8 million to $10 million this year.

From the old, unheated shop, the company has grown to occupy a 30,000-square-foot warehouse. Huge trucks arrive daily, with as much as $100,000 in merchandise.

Cho now has a $1 million line of credit at the same bank that turned him down for a loan years before.

He attributes his success not only to hard work but also to a good reputation and advertising. "In the beginning," he says, "manufacturers wouldn't see me because I was so small and I knew nothing about the product I was selling. So I started studying the labels, questioning the manufacturers on the phone, and talking a lot to my customers. I made it a high priority to become knowledgeable about what I was selling."

The strategy worked. Manufacturers started coming, and they brought with them advertising allowances for their products. A standard practice among retail owners was to take the allowance—about 3 to 5 percent of the wholesale price—and distribute inexpensive fliers that cost less than the allowance, then pocket the rest. But Cho used every

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penny for television, radio, and newspaper advertising.

At one radio station's suggestion, he started in-store promotions. While the station advertised and organized these events, Cho got the manufacturers to pay for the prizes, which have ranged from tickets to rock concerts to a trip to the Bahamas. Hundreds of consumers flock to these once-a-month Saturday events and consistently generate the company's biggest sales.

Today, Cho and his family are nestled in a 4,300-square-foot home in an affluent St. Louis suburb. In the garage are a Mercedes-Benz for him and a Jaguar for his wife, Young Suk, who, as vice president of the company, manages the stores and staff. The couple's plans include distributing in China and countries in Africa; profit sharing for their 51 employees; and, in five years, taking the cross-cultural company public.

"When I started out," says Cho, "I had no idea that I could do this well. But I still have a long way to go and a lot more to learn." ■

Cheryl Jarvis is a free-lance writer in St. Louis.

A Boom Amid A Bust

By Sharon Nelton

About six months after they launched what they intended to be a real-estate development business, James S. Gladney and Roderick A. Mitchell rented what Gladney calls "the most fabulous offices you can get in downtown Providence," R.I. They called their firm the Federal Investment Co.

They had to do something. After all, they were only 23. They had very little capital and virtually no track record.

"We needed to somehow get in the game," Gladney says. "We wanted to make sure that we sounded like a staid, old, monied firm that had been around for a hundred years."

Gladney and Mitchell and now the third partner, Mitchell's younger brother, Alexander, don't have to put up such a front anymore and have relocated to more modest offices in East Providence. They've won an enviable reputation as home builders in Rhode Island, Massachusetts, and Connecticut. Their eight-year-old business, which has more than 50 employees, brought in $12 million in revenues last year and expects sales to reach $20 million or more this year.

The three upstarts took the depths of New England's recession—the period from 1989 to 1991—and turned it to their own advantage, positioning themselves favorably for the turnaround now taking place in the home-building industry. As banks and other financial institutions sought to unload failed residential projects they had foreclosed on, the partners offered their firm, FIC, as a one-stop service that would handle the "workout" from start to finish—from solving legal problems to completing the construction where necessary to advertising and marketing the units. FIC's fee would be based on results.

On one project alone, FIC cleaned up all of the problems and proceeded to sell 80 units in eight weeks, returning $6 million to the bank within 180 days.

While other builders were going broke constructing high-priced luxury homes, Gladney and the Mitchells went after underserved markets, building homes for first-time buyers and producing affordable yet luxurious homes priced under $100,000. "We were very, very profitable for those years," Gladney says of the recession.

Recently, in a development in Portsmouth, R.I., they built more-expensive homes for move-up buyers, pricing the houses at around $200,000, or about $50,000 below comparable houses.

Asked how FIC has been successful where others have failed, Gladney says, "We take every single discipline of this business, and we dissect it and make sure that we're doing each little part of business 50 percent better than the next guy. When you add all that up at the end of a project, it makes a huge difference."

FIC is built as much on the chutzpah of its founders as on their smarts. Their first week in business, Gladney and Rod Mitchell, friends since childhood, took an interest in a riverfront parcel advertised for $350,000—"which we didn't have," says Gladney. They offered the owner $425,000, subject to FIC's getting all of the approvals needed for a condominium project on the site. Within nine months, they put together plans for the development, secured necessary approvals, and found a buyer willing to pay $1.1 million for the land, the plans, and the approvals. They had incurred costs of $75,000, meaning they made a profit of $600,000.

Gladney and his partners expect to expand into New Hampshire later this year. They are looking for other companies to acquire and hope someday to take their business public.

"Our objective is to be one of the big guys, and very quickly," says Gladney. But there's still time. He's the oldest of the three partners, and he just turned 31 in June. ■

Partners with chutzpah, *home builders Roderick and Alexander Mitchell (left and center) and James Gladney beat the recession by going after underserved markets.*

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The mission of the CSULB SEFT is to develop and support cost-effective, quality training services in software engineering and management practices, and to support software process improvement at member companies. The training and continuing education is directed towards software engineering professionals, related support personnel, and management at all levels. The development of courses and curriculum will be guided by training needs (example, SEI/CMM, ISO9000, IEEE1074, MIL-STD-SDD, etc.) identified by member companies.

By pooling the training needs of all member companies, the consortium is able to reduce the training cost burden for each member company. SEFT's "co-operative" training approach reduces companies' internal training costs by eliminating the need to assign personnel to administer training activities such as contract negotiations, design and development of training curriculum, evaluations,

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An Enterprise On Tap

By Rosalind Resnick

John Hickenlooper is a self-confessed "deal-aholic." Somebody, he says with a wry smile, should stop him before he "joint-ventures" again.

A boyish-looking 41 with unkempt bangs and wire-rim glasses, Hickenlooper is the president and guiding spirit behind the Wynkoop Brewing Company, the restaurant he started six years ago in a five-story historic warehouse in what was once a blighted area of downtown Denver. Now, partly through Hickenlooper's efforts, Denver's downtown is bouncing back, and business at the 140-employee restaurant is booming. Last year it raked in $4 million in sales.

Although he has never taken a business course in his life, Hickenlooper, who grew up in suburban Philadelphia, is a natural at bringing people together to make money.

He and his partners are opening what he calls "brewpubs"—restaurants where beer is brewed on the premises—in a half-dozen other cities, swapping their management expertise and recipes in return for equity stakes.

Hickenlooper has also teamed up with Joyce Meskis, owner of the thriving Tattered Cover Book Store, to renovate 220,000 square feet of historic Denver warehouses, turning them into affordable housing and shops. Then there's the $2 million beer-bottling plant he opened in Denver in May.

As an undergraduate at Wesleyan University in the 1970s, he majored in English and dreamed of becoming a writer. But, in his senior year, he fell in love with geology and went to work for an oil company in Colorado. When the company laid him off in 1986, he used most of his $110,000 severance pay to start his brewpub.

Hickenlooper opened the Wynkoop Brewing Company in 1988, after two years of hustling money from everybody from his Little League coach to his aunt in Scotland. He also took on three partners and, with them, invested $400,000 in equity, borrowed $50,000 from a bank, and got a $120,000 loan from the city. "I've always been fascinated by the beer business," says Hickenlooper, who created his own Hickenlooper Lager under the tutelage of home brewers he met in college.

Rosalind Resnick is a free-lance writer in Hollywood, Fla.

Hickenlooper says his concept was to create "an American version of an English pub . . . a place where the president of the bank would sit elbow to elbow with the teller." To make that egalitarian dream a reality, he used some of the profit he made from brewing his own beer to lower the cost of the food, enabling customers to order a complete dinner for $6 or $7.

Thanks to some favorable press—and the fact that nobody else had opened a restaurant in lower downtown Denver in two years—Wynkoop, named after one of Denver's founders, was an overnight success. "We were a big fish in a little pond," Hickenlooper says.

But not for long. Emboldened by Wynkoop's success, 10 new restaurants staked out turf in Wynkoop's neighborhood in 1991 and 1992, three of them brewpubs. Wynkoop's sales dropped off by 10 percent.

There was also a problem with the lease. During the restaurant's first three years, Wynkoop's lease was $20,000 a year, a rock-bottom $1 a square foot. But, starting in the fourth year, the lease was set to increase to 5 percent of Wynkoop's gross sales, which were then running at about $3 million.

Hickenlooper knew he needed to shift gears. With loans from a bank, the U.S. Small Business Administration, and the Colorado Housing and Financing Authority, Hickenlooper and his partners purchased the basement and first two floors of the building and financed an expansion. They added a banquet hall on the first floor and a billiards room on the second. Hickenlooper financed the pool hall by selling pool tables to customers and friends for $2,000 a pop and leasing them back. Hickenlooper then formed a separate company to purchase and convert the top three floors into residential lofts that he sold, once again, to customers and friends, who agreed to co-sign on the building's construction loan.

Despite his continuing success, Hickenlooper says, he has no plans to franchise or go public. Rather, he says, he'd prefer to do a private placement, sell 10 to 20 percent of the business, and bring some of the restaurants together under a single corporate umbrella. He is also planning to pursue his goals of opening four to five new restaurants a year and starting a micro-brewery together with two other local brewpubs. One day, he says, he hopes to market a national brand.

And where will Hickenlooper find the money to make these dreams come true?

"We'll finance it the way we always have," he says. "I'll figure out some way to get my customers to give me some money and some way to give them a reward that makes it worth their risk." ■

PHOTO: ©FOTO IMAGERY—TIM MURPHY

PHOTO: SUSAN GODDARD

Deal maker *John Hickenlooper is changing the face of downtown Denver with enterprises such as the Wynkoop Brewing Company, a restaurant, above.*

COVER STORY

Innovation As A Way Of Life

By Michael Barrier

The pictures *on Alda Ellis' soap last as long as the soap itself does—a seemingly simple innovation that launched a successful small business.*

Working in the kitchen of her home in Little Rock, Ark., in 1989, Alda Ellis made Valentine's Day gifts of soap she decorated with colorful designs cut from gift wrap. The recipients were happy with the soap, she says, but she wasn't. The paper images wrinkled and came off when the soap was put in water, and she decided to work on the idea some more.

Ellis had been a dental hygienist for 10 years before becoming "a stay-at-home mom" when the first of her two sons was born. She credits her college classes in chemistry for her success in finding a way to affix printed designs that do not fade away or come off as the soap is used, but instead adhere to the bar until it is as thin as a credit card.

The idea seems simple. But, buyers for retail chains say, nobody else had come up with it. And, as Ellis soon demonstrated, a simple concept can form the basis of a successful business. She has parlayed her product's virtues into a place for Alda's Forever Soap on the shelves of thousands of upscale department stores and specialty shops all over the country.

This year, Red Oak Hill Inc., the company owned by Ellis and her husband, William G. "Buddy" Ellis, expects to produce 3 million bars of soap, which will sell for about $3.50 each at retail.

Alda Ellis is thus one of the many entrepreneurs who are living the classic American story of the innovator who builds a successful company through something new: a new product or service, a new way of doing business, a new twist on something old, a new focus for an established firm. For most start-up companies, the founder's ability to innovate is the key to survival and growth.

If there is one thread that unites innovative companies, it is that their leaders know that a single innovation is not enough. A new idea, successfully implemented, may sustain a company for months, or years, or even, at the outside, a decade or two. But the company that thinks its good idea can never turn into a bad idea—or a tired idea, or an irrelevant idea—is flirting with its own extinction.

What counts, ultimately, is not a single innovation—a "magic bullet" that immunizes a company against the competition—but a climate of innovation that leads to one small triumph after another and makes possible the occasional real breakthrough.

Alda Ellis, for example, has been find-

How entrepreneurs are using creativity to keep their customers coming back

ing innovative ways to take advantage of her soap's elegance and remarkable durability. The soap is "triple-French-milled," which means, as Ellis says, that "it's going to last at least three times as long as a regular bar of soap."

As the Ellises soon realized, other people will pay to have their names attached to such a classy product. Through private-label commissions, Red Oak Hill has made soap bearing customized designs for such clients as President Clinton, the Grand Ole Opry, a number of major corporations and luxury hotels, and entertainer Michael Jackson.

The Ellises recently produced bars with a marketing message for a pharmaceutical company, which distributed the bars widely to potential customers. "The feedback has been so positive," Buddy Ellis says, "because it's something useful and it hasn't really been done before—driving an introduction of a product with a bar of soap." As the soap is used, he points out, "you're seeing that message, all the time."

For many small businesses, though, creating a climate of innovation can be especially difficult. "In small companies," says consultant Mark Sebell, "it's rare that new products or innovation is someone's only job, and that's unfortunate." But Sebell, whose company, Boston-based Creative Realities, helps other businesses cultivate and implement strong ideas, adds that a small company's leader can provide "a clear vision for the business we're in" so that there's a framework that supports innovation.

Companies without such leadership are likely to stand pat, nursing old techniques that were once innovative but are now outdated, and lose touch with their markets.

This hard truth has accounted for hundreds of victims in the computer industry, in particular. Software firms whose programs were on the cutting edge have found themselves being sliced up by competitors a few years later; manufacturers whose computers were the envy of the industry have seen their sales tumble when they let their flagship models go unchanged a little too long.

Even in technology industries, though, the key to success can be understanding where and how to innovate. It can pay a company to plunge ahead with a cutting-edge technology in one area, even while relying on a much older technology in

PHOTO: ©IWERKS ENTERTAINMENT

The entertainment firm *headed by Donald W. Iwerks, left, and Stanley B. Kinsey will offer virtual-reality technology (inset) in urban theme parks.*

PHOTO: ©BART BARTHOLOMEW

another. One case in point: Iwerks Entertainment, a 200-employee firm in Burbank, Calif., that had revenues last year of more than $32 million.

Tucked away in a cavernous warehouse space behind Iwerks' offices, where the company offers demonstrations of its technology, is a dazzling example of high-tech innovation: a virtual-reality game called Virtual Adventures.

The game, developed jointly by Iwerks with a San Francisco image-generation firm, Evans & Sutherland, will take as many as six people beneath the surface of Loch Ness in a "submersible capsule." Working together, the "passengers" can maneuver their vehicle past obstacles, duel nonviolently with the "passengers" in three competing vehicles, and save the Loch Ness monster's eggs from bounty hunters.

The "reality," although clearly computer-generated, is strikingly believable as viewed through the 3-D polarized glasses the customers wear instead of the helmets usually associated with virtual-reality games.

So new is Virtual Adventures that the first installation was not scheduled until June, in Norfolk, Va. Earlier Iwerks products are on view all over the world, though, in the form of giant-screen theaters (Iwerks competes directly with the better-known Imax) and motion-simulation attractions called Turbo Tour Theatres.

For all their high-tech aura, though, the giant-screen and Turbo Tour theaters depend on technologies that not only are older than Virtual Adventures' technology but also are not evolving rapidly. Motion-picture projectors, in particular, have not changed in their fundamentals for more than 60 years, since the introduction of sound. And that suits Iwerks just fine.

"We don't do high tech for the sake of doing high tech," says Donald W. Iwerks, the firm's co-founder and vice chairman. "If there's a low-tech way of doing something that's going to be 100 percent dependable, how do we beat 100 percent?"

As Eric G. Rodli, Iwerks Entertainment's chief operating officer, says, when the company started in 1986, it "piggybacked on some existing software": giant-screen and 3-D films. Iwerks could manufacture projection systems for such films knowing that the films already existed. Iwerks began investing heavily in software only as it moved into motion simulation, where a substantial library was not already available.

Simulation had been around for a while when Iwerks got into it—the Walt Disney Co.'s "Star Tours" is one of the most famous examples. With virtual reality, though, Iwerks is moving into largely uncharted territory.

That technology is "moving very quickly, and it's going to get better," Rodli says. "But what's great is that part of our portfolio is more static. Twenty or 30 years from now, there are going to be giant-screen theaters." In other words, Iwerks can innovate aggressively through something like Virtual Adventures, because, as Rodli says, "we don't have a technological risk that slices across our entire business."

If Virtual Adventures is the most striking example, all of Iwerks' products are devoted, in one way or another, to erasing the boundary between the audience and what it sees on a screen—to bringing the audience into the picture. To do that, the Iwerks executives know, they must look

His TRAC system *is a first innovative step into the new wireless-phone world, says Scott McGregor, left, seen here with his wife, Diane, and children Greg, Chris, Travis, Carolyn, and Sally, all of whom work with him.*

PHOTO: GROBERT HOLMGREN

beyond the technology to what that technology depicts.

What makes motion simulation exciting, for instance, is not a swaying, tilting chair, but the illusion created when such a chair is combined with exciting images, as in a four-minute Iwerks film that puts the viewer on a motorcycle, trailing the movie character RoboCop through mean streets in pursuit of "cyberpunks."

"We set, very early on, a charter of only creating products that were software-driven," says Stanley B. Kinsey, Iwerks Entertainment's co-founder and CEO. "We are not here creating roller coasters or 'dark rides,' as they call them at theme parks. We're out-of-home, we're software-driven—that's what we do. We want to change the out-of-home entertainment experience in most urban markets of the world."

Their vehicle for doing that will not be a technological marvel, but a marketing innovation: Cinetropolis, a complex that will combine four Iwerks installations (a giant screen, Turbo Tour, Virtual Adventures, and a 360-degree video dance floor) with shops and restaurants in a sort of miniature theme park. After selling its hardware to theme parks and museums for years, Iwerks will with Cinetropolis own and operate its own attractions.

The basis for Iwerks' strategy is the belief, as Kinsey puts it, that "the best theme-park rides are movie rides; they take up very little real estate, and they can be reprogrammed. It seemed like the perfect application to bring the theme-park ride into the urban environment."

The first Cinetropolis opened early this year in Connecticut (minus Virtual Adventures), and so far it has performed very well, Rodli says; the second will open in a few months in Japan. After that, with the kinks worked out, the company plans to open dozens more.

By expanding services, *Edward Katz, right, and Marvin Stone have been transforming Choice Courier into much more than a traditional New York City messenger firm.*

It will probably not take many years for the ultimate fate of Iwerks' Cinetropolis to reveal itself; in the technology world, the whole cycle of innovation and renewal—or failure—usually moves more swiftly than anywhere else. It is in other parts of that world, though, where not just innovations but whole technologies seem to flourish and die like spring flowers, that a process common to all industries can be seen in highest relief.

There is, for instance, the case of the Danville, Calif., innovator who was in literal poverty—feeding his children with food stamps, waiting for the sheriff's knock on the door—and who now stands, he believes, at the head of a rapidly growing company, Telemac Cellular Corp., with multimillion-dollar prospects.

Scott McGregor's innovation arose from another, much larger innovation: the cellular telephone. With the growth in cellular-phone use has come a growing market for the rental of such devices—now it's commonplace to rent a cellular phone along with a car, for instance. McGregor began renting cellular phones nine years ago, soon after they first became available. In the process, he hit on an idea that he thought would have great utility in the industry.

In 1989, though, McGregor and his family lost "everything we had" through an ill-advised merger, he says. For the next five months, he put in 18-hour days working on his idea.

His wife, Diane, and his seven children were behind him, McGregor says—they all now work in the business, Diane as its chief operating officer—"but on the first of March we ran out of food." He had to turn to food stamps. Less than three weeks later, the McGregors had sunk even lower, as they faced eviction from their home.

"Our lives were over," he says. "We had no credit, no money, and we'd be on the street Monday morning." That Sunday night, McGregor had a phone meeting with investors; when he hung up at 11 p.m., "they had committed to wire us seed money the next morning."

After that, "it took a long time to build it and get investors and get everything going," McGregor says. "We nearly lost it twice. One of our biggest investors went bankrupt. But we finally turned it around, and now it's kind of an explosive thing."

McGregor's innovation addresses a basic condition of the cellular industry: When customers return phones, rental companies can't give them an itemized record of the calls they've made, but can charge them only on the basis of how much time they spent on the phone. McGregor says that the lack of a call-by-call breakdown leads to disputes with customers (who may claim they didn't use the phone as much as the renter says) and losses of revenue to the rental companies.

To deal with that situation, McGregor "built a system to be able to capture all of the data necessary to bill a call, right in the phone itself. Then you just download it, through the data port in the bottom of the phone."

Telemac's TRAC (for Telemac Rental Account Cellular) system is, as McGregor describes it, a 14-inch-square, Unix-based computer, "with a complete worldwide call-accounting grid in it. If you call Zimbabwe, it will bill you properly." When a customer returns a phone, a cellular-rental employee slips it into a boot on the computer and presses a button, and the computer "reads" the

phone. Out comes a printout showing every call, in sequence, with the date, the time, the number called, and the charge.

Phone-rental companies buy this system from Telemac "pretty much at cost"—around $5,000, McGregor says. "We sell service, rather than equipment. We charge so much per month as a licensed technical-support fee. We make about $1,000 a month, per site."

If McGregor's system is widely adopted, Telemac stands to prosper greatly. There is, however, the possibility that McGregor has solved a problem that is not large enough to sustain a successful company.

Marc Kreiner, whose Marina Del Rey, Calif.-based Road & Show Cellular had become one of the industry's largest rental firms, with annual sales around $15 million, when Kreiner sold it last October, is strongly skeptical of all such efforts to come up with "real-time billing." Detailed cellular billing will appeal to some rental firms, he says, but it runs contrary to the trend in service industries toward ever-greater speed and convenience. And, he thinks, detailed billing may spawn as many disputes between renter and customer as it resolves. "What happens if you get a printout and they're not your calls?" he asks. "What do you do? And that's going to happen."

As if to guard against such threats to his company's growth, McGregor has conceived of TRAC as the first step in a continuing process of innovation. "Our mission is to occupy a niche between the consumer and the wireless industry," McGregor says, "to build technical market bridges between the two."

McGregor's next bridge is called TAPS (for Telemac Automated Programming System). This system will be designed to make it much simpler for consumers to begin operating a cellular phone, to the point that they can begin using an already programmed phone within minutes of buying it shrink-wrapped off a retail shelf. The idea, as McGregor says, is to make cellular phones "a pure retail product."

In the cellular-phone industry, though, the need for innovation is all the greater because in a few years the industry itself may vanish into technology's gaping maw. The turn of the century may hold phones much smaller and more portable than the lightest phones now available—phones that can be reached through a single number, regardless of where the owner of that number is. People who now rent cellular phones will find it much simpler to carry their own phones with them.

McGregor says people ask him, in regard to TRAC and TAPS, "What happens when these two products run out?" But he is not concerned, he says, because even if cellular rental is going away, the wireless-phone industry certainly isn't; besides that, for people of an innovative turn, good ideas are everywhere, just waiting to be developed.

"At least once a week, probably," he says, "we have a good idea brought to us by a carrier or someone like that. We just don't have the time, the manpower, or the money to develop all the ideas that are there."

As Marc Kreiner's reservations about TRAC suggest, though, there is a danger lurking in associating innovation too

How To Get The Juices Flowing

How should a small-business owner or manager go about creating a climate that is hospitable to innovation? Here are some guidelines:

Make a genuine commitment to innovation. "It all starts at the top," says consultant Mark Sebell, whose Boston-based firm, Creative Realities, helps companies translate bright ideas into productive change. "The person at the top models it"—that is, sets an example for everyone else—" and gives permission for it—permission to innovate, permission to fail in the pursuit of innovation. Nothing else matters."

Define "innovation" broadly. Don't worry if someone else has already done what you're doing in some other industry or some other town. The critical questions are these: Is what you're doing innovative for you, and for your company? Is it a significant change for the better in the way things are done? Does it serve the customer better? Does it tell your people that the door is open for productive changes of many kinds? If so, it's an innovation in every way that counts.

Get help from your customers—but ask them the right questions. "Where companies fall down, too often, is by

PHOTO: ERICK FREEDMAN—BLACK STAR

To keep ideas coming, *Mark Sebell says, you have to "ban the bazookas."*

asking the customer what the customer wants," Sebell says. "Too often, the customer is clueless about what the customer wants." Companies should turn to customers for what customers can in fact provide, he says. Customers can describe their unmet needs, and they can evaluate your new ideas—they can tell you how those ideas do and do not work for them.

New ideas *always* require some work, says James F. Riordan, a Cameron Park, Calif., consultant who evaluates new products and technologies for a long list of large companies. "There has to be a point," he says, "where you go out and let the customer change it. To produce a product without nursing it and massaging it, so it fits the customer's needs, is blind engineering."

Don't expect an idea to fly when it's first hatched. When you or someone in your company comes up with a promising idea, don't look for what's wrong with it first. Instead, make a conscious effort to look for what's *right* with it.

Sebell calls this approach "banning the bazookas." Firing away with "bazookas," he says, is "what we do to each other's ideas in meetings." Someone comes up with an idea and asks for opinions, and almost invariably, he says, the response will be negative—and destructive, because it discourages that person from offering new ideas in the future.

Ideas should be allowed to flow freely at first, Sebell says, with "creative assessment" saved for later. Then, the emphasis can be on picking a good idea, rather than rejecting weak ones.

Welcome small innovations. They can have much greater impact than you expect—and just as important, they can open the way to larger changes, by revealing the flaws in an accepted way of doing things, or simply by helping to create a climate in which innovations of many kinds are more welcome.

And there's something else: Some manufacturers, among them Japanese automobile manufacturers, have converted a constant flow of small innovations into imposing success.

Making incremental innovations, Riordan points out, gives a manufacturer "the ability to constantly monitor, through their dealerships, what their customers really want to see."

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When his offbeat management-consulting firm *moves into new quarters in San Francisco, Mike Korchinsky will bring his dog to work with him.*

closely with technology. "Technology is critical to innovation in the long term," says consultant Mark Sebell, "but it's not going to be the differentiator. Service is. Superior technology can fail if it's not surrounded by the services that make it friendly."

For most companies, in other words, the critical element is not technology but their understanding of their market. Technology may be a vital tool that permits them to respond to changes in the market, but it should follow, not lead.

Two New York City companies—one owned by Edward Katz, the other by his younger brother, Stanley—started as on-demand messenger services, carrying documents and other small packages from one place to another in a few large cities. Each has now evolved into something radically different, because the Katzes have seen in a changing market an opportunity for innovation, and in technology a way to meet that market's demands.

More than a dozen years ago, Stan Katz's firm, Archer Management Services, pioneered what is known as facilities management. He started by running the mail rooms for banks, law firms, and a number of large corporations, relieving those clients of a burden that distracted them from their core businesses. Archer has since expanded into the management of copy centers and record centers—"the hottest area," Katz says.

At a 250-attorney law firm in New York, for instance, "we're automating them with our own software," Katz says, "to be able to track and retrieve information, and also be able to remove it from the premises and control it offsite as well. Most firms retain and clutch and refuse to let go of documents 20 or 30 years old; now we're able to put them on disk, as well as control them and destruct on an orderly basis." He has a review team that examines "every technological advance that comes down the pike," Katz says.

Even as Archer has helped its clients pay more attention to their core businesses, it has shed its own. The need for messenger services has declined with the growth of fax transmissions, and so "we sold off our messenger service" several years ago, Stan Katz says, in order to give full attention to facilities management. "We sort of re-engineered ourselves," he says, and revenues have been growing around 20 percent a year ever since.

"It's very difficult," Katz says, "when you start as a messenger service, and you build it to probably one of the largest in the country, and then all of a sudden you say, 'No, it's time. This is a mature business. Fax is a true competitor. What do we do to remain in a service mode?' Basically, what we did was take over the fax centers for other organizations."

Ed Katz, whose company is called Choice Courier, has stayed in the messenger business, but with an innovative twist. "We were basically an urban, hot-shot, rush delivery service," he says, "and very good at what we did. But facsimile transmission came out, and the recession hit, and there had to be changes."

Five years ago, he started Twilight Express, the first *regional* next-day delivery service. It operates only in the Northeast, where, Katz estimates, roughly a third of the country's next-day-delivery business is concentrated. By operating in such a limited area, Katz could offer the same service as Federal Express, but at half the price. "The advantage we had," says Marvin Stone, who runs Twilight Express as vice president of Choice, "is that Choice already had offices, up and down the Northeast."

Now, Ed Katz says, "the innovative hot button is third-party logistics." Also called contract logistics, it is a way for companies to farm out the distribution of their products in the same way that they farm out the operation of mail rooms.

For some time, Choice has been storing critical parts for a few computer companies in a handful of cities, most notably New York, where Choice has a 10,000-square-foot facility on 16th Street.

The computer companies' technicians don't have to lug parts with them, or return to their base just to pick up a part, when they go out to make a repair. Instead, as soon as they know what part is needed—as soon as they get a report of a malfunction over the phone—they can call

Choice. A Choice messenger will deliver the part at the job site within an hour.

Now Choice is expanding that system into a national network. It will eventually offer dozens of locations nationwide, each serving many manufacturers. Technicians will call a single 800 number in Manhattan, and the needed parts will go out more or less rapidly, depending on the speed of service the customer has paid for.

Katz sees a bright future for Choice, whose revenues now run around $45 million a year. "If I get 30 [contract-logistics] accounts," he says, "and that's not a lot of accounts, I'll do twice as much as I'm doing now—and I expect to do that within five years."

Innovations like Katz's necessarily involve big changes and big numbers. That need not be true for all firms, though.

"Innovation doesn't have to be expensive to be effective," writes consultant Michael Gerber, author of *The E-Myth* (HarperBusiness). "Some of the powerful innovations have required little more than the change of a few words, a gesture, the color of clothing."

Moreover, an innovation need not be an innovation in the absolute sense—that is, something that no one else has ever done anywhere. What can be far more important is that it is an innovation for a particular company or industry.

Take, for example, the management consulting industry, which is, Mike Korchinsky says, "a little bit hidebound, like most professional industries. The big players have been around a good while and have established themselves as the leaders on the basis of size and experience, more than innovation."

Korchinsky used to work at one of the industry's leading firms himself, and he saw that as such firms advised other companies how to innovate, "there was an inherent contradiction, because, internally, they were just as bureaucratic and old-fashioned" as the companies they were advising.

When he started the consulting firm called Axiom in April 1988, Korchinsky did so with the idea that there were lots of consultants in the old-line firms who had good ideas but were unable to bring them to light in that environment. Axiom has since grown to $12 million in annual revenues, as of last year, with $15 million projected for 1994.

The firm's most striking departure from industry practice is probably the "productive dress code" that it adopted last year. Korchinsky defines the code as one that encourages dress in which people are most productive. "If I feel most productive in jeans and a short-sleeve shirt," he says, "then I wear jeans and a short-sleeve shirt."

"Technology is critical to innovation in the long term, but it's not going to be the differentiator. Service is."
—Consultant Mark Sebell

Axiom is moving from San Francisco's financial district to an older brick building in the less imposing South of Market area. "They have a lot more natural light," he says of the older buildings, "and they're on more of a human scale," with two or three floors instead of 50. The rent may be lower, but the real idea, he says, "is to get more function for the same money."

The new quarters, he says, "will be more conducive to people wanting to be there, which is really a trick in consulting. If you're trying to be a company, rather than a collection of individuals, you need to have face time, for people to get together and talk and know each other."

In many such ways, "we're a lab for what we tell our clients," Korchinsky says. "We try all the recommendations we make to our clients on ourselves first." As a result, he says, "we've learned what we believe to be some inherent limitations in the level of innovation that you can expect within an organization. The idea of continuous innovation is a good thing, so that people feel that anytime is the right time for an innovative idea."

Nonetheless, he continues, "people have to remember that they have jobs to do, and those jobs, collectively, translate into the success of the business. One negative of continuous challenge is the continuous distraction." It's important to encourage people to contribute ideas, he says, "but you need to set a level of expectation that those ideas won't be acted upon instantly."

Innovation is, after all, not an absolute good in itself. Its value is in the continuing vitality it can give to a business, by helping that business serve its customers better. If a business is attentive to its customers, it can find in them all the spurs to innovation that it needs.

"The key is listening to your clients," Stan Katz says. "They are absolutely telling us what their needs are, and they're creating our new products and services. Both Eddie and I have service organizations; we've gone in different directions, but the bottom line is providing service to clients.

"If other organizations are not evolving" the way the Katz brothers' companies are, he says, "they're just not listening." NB

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TAXATION

New Tax Increases On The Horizon?

Congress has a long menu of options to choose from when it considers another round of tax increases.

By Robert T. Gray

New and higher business and personal taxes are among options Congress will be considering as it faces a resurging federal deficit within the next two years.

The revenue possibilities include higher estate and gift taxes; elimination of deductions for mortgage interest, state and local taxes, and charitable gifts; higher rates for individuals and corporations; a value-added tax; a broad-based energy tax; taxation of benefits, including health insurance; and taxation of capital gains held until death.

The menu of those and other revenue proposals was compiled by the legislature's fiscal-research arm, the Congressional Budget Office, which noted that its annual listing of policy options "has become a standard reference for developing deficit-reduction plans."

Further underscoring the point that it does not operate in an ivory tower, CBO noted that most of the specific proposals it mentions "have been considered by Congress at some time in the past."

The list contains the broad-based energy tax rejected by Congress last year; the value-added tax, which figures prominently in ongoing discussions about overhauling the tax system to favor savings and investment over consumption; and taxation of employer-paid health benefits, which is now being debated.

In addition to the revenue-raising options, the Congressional Budget Office also lists 161 ways for cutting spending in three broad areas: defense, entitlements, and certain areas of discretionary spending.

Consideration of the various options is needed, CBO says, because the downward trend in federal deficits will not continue. The deficit for the fiscal year beginning Oct. 1, 1995, is estimated at $166 billion, compared with $255 billion in 1993, but it will then start back up again, reaching a projected $365 billion in 10 years.

The higher deficits are on their way despite 1990 and 1993 plans that called for a total of nearly $1 trillion in higher revenues and limits on spending increases. The 1990 plan raised revenues $158 billion over five years beginning in 1991. The 1993 plan raises them $240.6 billion over the five years beginning in 1994.

As the deficit spending continues to grow over the next few years, Congress will again be under the same pressures that brought about the tax increases of those fiscal plans, and it will almost certainly turn to the Congressional Budget Office list in search of specific proposals to turn into higher revenues.

In submitting its list, CBO warned: "Further tax increases . . . are unlikely to spare lower- and middle-income families to the same extent as those increases recently enacted in the Omnibus Budget Reconciliation Act of 1993," which was President Clinton's plan for higher taxes and rollbacks in some planned spending increases.

"Further policy actions are necessary if the deficit is to be brought down, and are most certainly necessary if the budget is to be brought into balance," CBO said.

Following are the revenue options that the CBO has listed for Congress; the total amount of additional taxes that would be raised over five years is shown for each option.

Tax Rates. Raise the top individual rates on ordinary income to 16, 30, 33, 38, and 42 percent for the various brackets (about 7 percent in each case), and raise the top alternative minimum tax (AMT) rate to 30 percent, compared with the present 26 percent or 28 percent on a broader base; the five-year total: *$195 billion.* Raise only the top two rates, now 36 and 39.6 percent, to 38 and 42 percent: *$28.4 billion.*

Raise the top corporate rate from 35 to 36 percent: *$13.5 billion.* Raise the alternative minimum tax rate to 25 percent: *$14.4 billion.* Eliminate the reduced corporate rates and tax all corporate income at a 35 percent rate: *$16.2 billion.* (The top corporate rate is now 35 percent on taxable income over $10 million. Income below that level is taxed by brackets at 15, 25, and 34 percent.)

Value-Added Tax. Impose a 5 percent value-added tax with a comprehensive base: *$607.9 billion.* Set a 5 percent rate with food, housing, and medical care excluded: *$319.5 billion.*

Mortgage Interest. Eliminate the deduction: *$254.1 billion.* Reduce to $300,000 from $1 million the amount of principal eligible for deduction: *$20.6 billion.* Limit the deduction to $12,000 per individual return and $20,000 per joint return: *$31.6 billion.* Limit deductions for second homes: *$2.6 billion.*

Estate And Gift Taxes. Reduce the unified credit to $87,800 from $192,800: *$15.4 billion.* Convert the state death-tax credit to a deduction: *$2.5 billion.* Make life-insurance proceeds subject to estate and gift taxes: *$1.1 billion.*

Assets Held Until Death. Include accrued but unrealized gains on the final tax return of the deceased person who owned the asset: *$35.2 billion.* Enact a supple-

mental 10 percent estate tax on accrued gains: *$3.6 billion.* Adopt a carryover basis allowing heirs to defer tax on unrealized gains until the assets are sold: *$9 billion.*

Energy. Impose a $15-per-ton tax on the carbon content of fossil fuels: *$96.1 billion.* Tax the heat content of fuels at 33 cents per million British thermal units: *$100.1 billion.* Impose an ad valorem tax of 5.3 percent on energy consumption: *$99.5 billion.*

Petroleum/Motor Fuels. Impose a tax of $5 per barrel on domestic and imported oil: *$106.2 billion.* Impose an oil-import fee of $5 per barrel: *$51.8 billion.* Increase the federal motor-fuels tax of 18.4 cents to 30.4 cents: *$54.6 billion.* Increase the motor-fuels tax by 10 cents a gallon each year for five years: *$127.3 billion.*

Indexing. Repeal indexing (inflation adjustments) where it now applies to tax schedules: *$132.2 billion.* Suspend 1995 indexing: *$46 billion.*

(Tax law provides for indexing the standard deduction, the personal exemption, the minimum and maximum dollar amounts for each tax bracket, the thresholds for phasing out personal exemptions, and the limit on itemized deductions. Indexing also applies to the earned income tax credit, which is not covered by this option.)

State And Local Taxes. Eliminate deductions: *$191.3 billion.* Deny the deduction for state and local tax payments that exceed 8 percent of federal adjusted gross income: *$30.9 billion.* Allow the deduction only for the amount of state and local taxes that exceeds 1 percent of adjusted gross income: *$30.3 billion.*

Charitable Contributions. Eliminate the deduction: *$77.7 billion.* Limit the deduction for appreciated property to its tax basis: *$4.4 billion.* Allow deductions only for amounts exceeding 2 percent of federal adjusted gross income: *$36.2 billion.*

Itemized Deductions. Limit the tax benefit of deductions to 15 percent instead of the percentage reflecting the taxpayer's bracket: *$274.3 billion.*

Tax Rates

	Revenue Increases In $Billions 1995	1996	1997	1998	1999	Five-Year Total
Individuals						
Raise Top Rates To 16%, 30%, 33%, 38%, And 42%, And Top AMT Rate To 30%	23.3	40.1	41.8	44.0	46.0	195.2
Corporations						
Raise The Top Marginal Tax Rate To 36%	1.6	2.8	3.0	3.0	3.1	13.5
Raise The AMT Rate To 25%	2.3	3.7	2.9	2.8	2.7	14.4

SOURCE: JOINT COMMITTEE ON TAXATION

Pension Plans. Decrease the contribution for defined-benefit plans to the Social Security wage base, with equivalent reductions for defined-contribution plans: *$6 billion.*

(Current law limits contributions to defined-benefit plans so that annual benefits for pensions that begin at age 65 are no more than 100 percent of preretirement wages or $118,000, whichever is less. Annual contributions to defined-contribution plans are limited to 25 percent of compensation or $30,000, whichever is less.)

Decrease the limit on deferrals for 401(k) salary-reduction plans to $4,000: *$2.9 billion.* (The current limit for deferrals to 401(k) and simplified employer plans—SEPs—is $9,240.)

Pension-Plan And IRA Income. Impose a 5 percent tax on investment income of pension plans and individual retirement accounts: *$56.9 billion.*

Employee Benefits. Tax employer-paid health-insurance premiums while allowing credits for employee cost-sharing or employer payments up to a ceiling: *$253.8 billion.* Tax some employer-paid health-insurance premiums; for example, payments exceeding $375 a month for a family and $175 for an individual and paid through a cafeteria plan: *$104.4 billion.* Tax employer-paid life-insurance premiums: *$15.7 billion.*

Impose a 3 percent excise tax on the value of nonretirement fringe benefits; for example, the employer-paid share of health and life-insurance premiums, dependent care, athletic facilities, employee discounts, and parking arrangements with a value higher than that currently subject to taxation: *$43.5 billion.*

Workers' Compensation. Tax the income-replacement portion of workers' compensation and black-lung benefits: *$18.8 billion.*

Social Security. Tax 85 percent of the benefits of all recipients: *$98.9 billion.* (Under current law, 50 percent of benefits are subject to tax at income levels starting at $25,000 for individuals and $32,000 for married couples filing jointly; starting at

Estate/Gift Tax

	Revenue Increases In $Billions 1995	1996	1997	1998	1999	Five-Year Total
Reduce The Unified Credit	*	3.0	3.5	4.1	4.8	15.4
Convert State Death-Tax Credit To A Deduction	*	0.5	0.6	0.7	0.7	2.5
Include Life Insurance Proceeds In Tax Base	*	0.2	0.3	0.3	0.3	1.1

* Less than $50 million

SOURCE: JOINT COMMITTEE ON TAXATION

incomes of $34,000 and $44,000, respectively, 85 percent of benefits are subject to taxation. These amounts are not indexed.)

Other options for Social Security: Tax 50 percent of benefits at all income levels up to $34,000 and $44,000 for singles and couples, respectively, and 85 percent of benefits to those with higher incomes: *$48.3 billion.* Tax 85 percent of benefits at incomes above $32,000 for couples and $25,000 for individuals: *$4.1 billion.*

Dependent Care. Phase out the dependent-care credit starting at the $30,000 income level: *$6.2 billion;* starting at $50,000: *$3.6 billion;* or starting at $65,000: *$2 billion.* (At present, the credit per dollar of qualifying expenses declines from 30 percent for incomes under $10,000 to less than 20 percent for incomes over $28,000.)

Life-Insurance Products: Tax inside buildup from whole-life insurance: *$41.5 billion.* Disallow interest that corporations pay on loans obtained with the cash value of employee life-insurance policies as collateral: *$2.6 billion.*

Social Security/Medicare Coverage. Expand Social Security coverage to all new employees of state and local governments: *$8.5 billion.* Expand Medicare coverage to such employees not now covered: *$7.4 billion.*

Medicare Benefits. Tax part of the insurance value of Medicare hospital insurance at the income thresholds for Social Security taxes: *$25.2 billion.* Tax the value of supplementary medical insurance: *$19 billion.* Tax both: *$47.8 billion.* Tax hospital or supplementary or both without income thresholds: *$44.2 billion, $31.9 billion,* and *$83.8 billion,* respectively.

Exports. Curtail tax subsidies for exports: *$21.8 billion.*

Foreign-Owned Businesses. Impose a minimum tax on foreign-owned businesses that have a sizable amount of trade with affiliated companies overseas: *$2.6 billion.*

Home Sales. Tax 30 percent of the capital gain from the sale of a home in the year of the sale, allowing rollover of balance into the new residence: *$22.1 billion.* Tax lifetime gains in excess of $125,000 when realized: *$1.4 billion.*

Advertising Expenses. Require 20 percent of advertising costs to be capitalized and deducted on a straight-line basis over four years: *$18.3 billion.*

Building Rehabilitation. Repeal the credit for nonhistoric structures and reduce the credit for historic structures to 15 percent: *$400 million.* Repeal both credits: *$900 million.*

Credit Unions. Tax credit unions on the same basis as other thrift institutions: *$3.7 billion.* Tax credit unions with more than $10 million in assets: *$3.4 billion.*

Extractive Industries. Repeal expensing of intangible drilling, exploration, and development costs: *$6.1 billion.* Repeal percentage depletion: *$4.9 billion.*

Tax-Exempt Bonds. Tax all private-purpose bonds issued by state and local governments to finance quasipublic or private-sector projects: *$5.3 billion.* Raise the interest cap and extend volume limits to new issues of private-purpose bonds: *$1.6 billion.*

Timber. Capitalize the costs of producing timber: *$5.7 billion.*

Alcohol Fuels. Repeal the credit and partial exemption from excise taxes applying to alcohol fuels: *$3.2 billion.*

Tobacco/Alcoholic Beverages. Double the federal excise tax on cigarettes to 48 cents per pack: *$22.1 billion.* Raise the cigarette tax to 99 cents per pack: *$53.5 billion.* Increase all alcoholic-beverage taxes to $16 per proof gallon: *$23.1 billion.* Index tobacco and alcoholic-beverage tax rates: *$4.8 billion.*

Water Pollutants. Tax pollutants on the extent to which they encourage algae

Value-Added Tax

	Revenue Increases In $Billions*					Five-Year
	1995	1996	1997	1998	1999	Total
5% Rate, With Comprehensive Base	0	96.3	154.9	172.4	184.3	607.9
5% Rate, With Food, Housing, And Medical Care Excluded	0	50.6	81.4	90.6	96.9	319.5

*Estimates are based on an effective date of Jan. 1, 1996.

SOURCE: JOINT COMMITTEE ON TAXATION

Mortgage-Interest Deduction

	Revenue Increases In $Billions					Five-Year
	1995	1996	1997	1998	1999	Total
Eliminate Mortgage-Interest Deduction	25.6	52.4	55.3	58.7	62.1	254.1
Reduce To $300,000 The Maximum Principal Eligible For Deduction	1.6	4.5	4.7	4.8	5.0	20.6
Limit Deduction To $12,000 Per Return (Single) Or $20,000 (Joint)	2.4	7.0	7.2	7.4	7.6	31.6
Limit Deduction For Second Homes	0.2	0.6	0.6	0.6	0.6	2.6

SOURCE: JOINT COMMITTEE ON TAXATION

growth that depletes oxygen necessary to sustain aquatic life: *$8.9 billion.* Tax water pollutants on the basis of their toxicity: *$16.9 billion.*

Air Pollutants. Impose per-ton taxes of $432 on sulfur oxides: *$29.9 billion;* $1,170 on nitrogen oxides: *$52.3 billion;* $3,610 on particulate matter: *$49 billion;* and $5,000 a ton on volatile organic compounds: *$253.1 billion.* Impose a one-time emission tax (averaging $250 per vehicle) on new automobiles and light trucks: *$13.3 billion.*

Ozone-depleting chemicals. Extend tax on ozone-depleting chemicals to methyl bromide: *$900 million;* and to hydrochlorofluorocarbons: *$600 million.*

On the spending side of the ledger, the Congressional Budget Office report cites the generally accepted view that entitlement spending is the principal engine behind the growth in federal spending.

Total outlays in this category, which were $761 billion last fiscal year, will pass $1 trillion in 1998 and continue rising into the next century.

The biggest programs are Social Security, Medicare, and Medicaid, which now account for 70 percent of entitlement spending, so called because anyone meeting the eligibility standards is entitled to benefits. Welfare, food stamps, farm-price supports, federal civilian and military pensions, and veterans' benefits are also in the entitlement category.

In listing options for reducing entitlement spending, CBO found the highest potential for savings in such steps as basing Social Security, Medicare, unemployment compensation, and veterans' benefits on need; modifying cost-of-living increases for entitlement programs; and making benefits subject to taxation.

Making entitlement payments not now based on need subject to the federal income tax could raise $228 billion over the next five years, CBO said. Reducing such entitlements to middle- and high-income families could cut outlays by $198 billion, and denying them to high-income recipients could save $46 billion. Depending on the amount and duration of reductions in cost-of-living increases, that approach could achieve savings ranging from $10 billion to more than $100 billion over five years, the CBO report said.

Even as it offered more tax increases and spending restraint as options for curbing the deficit, CBO noted that three recent major deficit-reduction plans had failed to achieve their goals.

They were the Gramm-Rudman-Hollings plan of 1985, the Omnibus Budget Reconciliation Act agreed to by President Bush and Congress in 1990, and the budget plan passed by Congress at President Clinton's urging last year.

The Gramm-Rudman-Hollings plan sought to achieve a balanced budget by 1991. "But the deficit did not come down as promised," CBO said. "By 1990, it was obvious that the balanced-budget target was not going to be reached."

In addition to spending reductions and tax increases, the 1990 fiscal package contained a Budget Enforcement Act (BEA) designed to protect promised savings by setting appropriation caps and withholding funds when spending would have increased the deficit.

While BEA worked well at first, the Congressional Budget Office said, "the deficit did not come down to the levels promised in 1990." The process failed because the disciplinary steps applied only to the deficit levels in the original law and "there was no requirement for additional deficit reduction if this outlook worsened," CBO said.

"In the end, the deterioration of the economy and failure to project explosive growth in programs such as Medicare and Medicaid were largely responsible for the increase in the projected deficits since 1990," the budget office added.

It was those deficits that produced the 1993 effort at still further reductions through tax and spending approaches. It raised taxes $241 billion over five years, while projecting spending at $192 billion under what it would have been without the plan.

The Congressional Budget Office report appears to assume that another round of deficit reduction based on a tax and spending mix is inevitable. It also states that the 1990 and 1993 strategies of aiming tax increases at the highest income brackets and spending discipline at defense and Medicare may be more difficult to achieve in another cycle.

As a result of the 1990 and 1993 tax increases, the report notes, higher-income taxpayers are paying the same share of their income to the federal government that they did in 1977.

CBO adds: "Although middle-income taxpayers were affected by excise tax increases enacted in 1990 and 1993, they were largely untouched by the increases in income taxes."

In defense spending, the outlook for further major cuts is questionable, CBO indicates: "[The 1990 and 1993] cuts have reduced armed-forces personnel and have dislocated other workers in areas of the country that rely on defense employment, making the prospects of further reductions of this magnitude speculative at best."

While Medicare bore the brunt of mandatory spending reductions in 1990 and 1993, it may not remain a source of major reductions because some policy-makers might want to apply any future savings to financing health-care reform, CBO says.

The budget office sums up its outlook: "The three biggest single contributors to the two recent deficit-reduction efforts—tax increases on the wealthy, decreases in the defense budget, and reductions in health-care spending—may play a lesser role in the next round of deficit reduction. If so, it means that . . . it will probably involve different kinds of actions—and ones the political system has found it difficult or unnecessary to take so far." NB

To order a reprint of this story, see Page 80.

Petroleum And Motor-Fuel Taxes

	Revenue Increases In $Billions*					Five-Year
	1995	1996	1997	1998	1999	Total
$5 Per Barrel Tax On Domestic And Imported Oil	16.5	22.0	22.2	22.6	22.9	106.2
$5 Per Barrel Oil Import Fee	7.4	10.3	10.8	11.4	11.9	51.8
Increase Motor-Fuel Taxes By 12 Cents Per Gallon	8.8	11.8	11.5	11.3	11.2	54.6
Increase Motor-Fuel Taxes 10 Cents Per Gallon Per Year For Five Years	7.4	17.1	26.1	34.5	42.2	127.3

*Estimates are based on CBO's base price forecast of $15.80 per barrel in 1995, rising to $18.50 per barrel in 1999.

SOURCE: JOINT COMMITTEE ON TAXATION

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High-Tech Highway To Growth

Most small-business owners have heard of the emerging "information superhighway," and they sense that it ultimately will be a business asset. But they are probably unsure exactly when and precisely how their companies will profit from this developing web of data bases, stand-alone and networked personal computers, and information appliances such as televisions, cellular phones, and palm-size personal organizers.

Those were among the conclusions of a new study, *Small Business and the Information Superhighway*, conducted by Roper Starch Worldwide Inc. for International Business Machines Corp.

About half of the study's 514 respondents had heard of the information superhighway, and 70 percent of them rated their level of knowledge as "a little," 23 percent rated it "a fair amount," and 3 percent rated it "a lot." In general, the most knowledgeable executives were in the wholesale, distribution, manufacturing, and construction industries.

About three-fourths of respondents viewed the web of information as a potential business asset, while only 1 percent regarded it as a threat. The most commonly cited potential uses of an enhanced communications infrastructure were: placing and taking business orders (81 percent); videoconferencing (78 percent); checking the prices and availability of raw materials (77 percent); ascertaining cash-flow information (75 percent).

Other leading uses cited were sending manufacturing and other specifications to employees, vendors, and customers (73 percent); managing inventory (72 percent); and bidding for new business (71 percent).

Despite rapid progress in making the Internet and other existing components of the information superhighway more usable and more widely available, the average view of respondents was that it would take about 8½ years for the communications network to become really useful for the majority of American small businesses.

"We already have an information superhighway, and it's the best in the world at what it does."

—Dr. Alan Baratz, IBM's Director of Strategic Development

The study, based on telephone interviews of top managers of companies in diverse industries nationwide with $5 million to $99 million in revenues, is accurate to within four percentage points.

"We've been working very hard for the last few years to understand the contributions of information technology to the productivity and profitability of small and growing companies," says Wirt Cook, general manager of IBM's General Business and Distribution Group and its network of 3,500 Business Partners, who provide marketing, support, and application software for IBM products. "These companies are very important to us, and the information highway should represent a real opportunity for them. We at IBM intend to be a major player in helping our customers realize that opportunity."

The small-business survey respondents are much too pessimistic about how long it will take the information superhighway to become useful to them, contends Dr. Alan Baratz, IBM's director of strategic development and a leading authority on the nation's communications infrastructure. In a previous position at IBM, Baratz was responsible for supporting the National Science Foundation Network (NSFNET), which is the backbone of today's Internet.

"We already have an information superhighway, and it's the best in the world at what it does," Baratz says. "The problem is the highway still is fragmented—it's made up of separate networks" of telephones, television stations, private data bases (local-area and wide-area networks), and public data bases such as online services. To reach its full potential, says Baratz, the information superhighway must become a seamless web of these networks "capable of providing vast amounts of voice, data, and images instantly on demand." The rapidly growing Internet is the foundation of this highway, Baratz told about 400 attendees at IBM's recent conference, "The CEO Experience: Pathways To Growth," in New York City.

This conference was one in a series of eight nationwide in May and June for the presidents and CEOs of fast-growing businesses with 100 to 1,000 employees. The program was structured to help small-business leaders discover the best ways to compete in today's challenging economic environment and gain insight on how to build customer loyalty, save time, and expand market share.

Featured were not only IBM executives but also highly successful entrepreneurs, including Randall K. Fields, chairman of Park Cities Group and co-founder of Mrs. Fields Cookies; Jim McCann, president of 1-800-FLOWERS; and Brenda French, owner of French Rags. The conferences were moderated by author and syndicated columnist Jane Applegate, recently named the U.S. Small Business Administration's small-business advocate of the year.

The conferences also featured Solutions Centers—displays of IBM's latest networking, desktop, and portable-computing technologies and software for helping small companies thrive in industries such as health care, finance, manufacturing, and wholesale and retail distribution.

A detailed summary of the information-superhighway survey, information on IBM technology solutions for many industries, and the names of local IBM Business partners are available from IBM's General Business and Distribution Group, (914) 765-2184.

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REGULATION

A New Battle For The West

Interior Secretary Bruce Babbitt is drawing fire from businesses and environmentalists as he works to reform private-sector use of public land.

By Laura M. Litvan

As vice president of a fifth-generation, family-owned ranch in Gunnison, Colo., Ken Spann has long had a stake in the ongoing debate over business use of federal lands. For years, his family's 10-employee concern has raised cattle on its own property most of the year, then grazed part of its herd during the summer on 10,000 acres in nearby Uncompahgre National Forest.

Late last year, however, Spann's personal stake took on a more public role. Colorado Gov. Roy Romer asked him to serve on a panel that would advise Interior Secretary Bruce Babbitt, who was fashioning a plan to revise the fees charged to ranchers who use public lands. The fee is presently $1.86 per animal unit month (AUM), which is enough forage to feed a cow and her calf for a month.

The group, which included another rancher and two environmentalists, met with Babbitt nine times beginning in December, shortly after Western Republicans in the U.S. Senate led a successful filibuster to block an attempt to raise the fees legislatively.

In late March, Babbitt, who had tried unsuccessfully to use his regulatory authority to raise the fee to $4.28—even before the legislative attempt was blocked—unveiled a new regulatory proposal. It would boost the fees over the next three years to $3.96 a month but offer discounts for ranchers who meet certain environmental standards.

The plan would also abolish rancher-dominated local grazing advisory boards and replace them with 15-member groups of environmentalists, local officials, and businesses using the land, whether for ranching or recreational purposes.

But if any consensus was forged in Colorado, it appears to have been fragile. Spann, who is also chairman of the Federal Lands Committee of the National Cattlemen's Association, is lobbying hard for changes in Babbitt's plan. He says the proposed advisory councils would be stacked against ranchers and that, while a fee hike is warranted, Babbitt's proposed increase is too high.

"He has taken on one of the most entrenched Western institutions there is—and that's the cowboys," Spann says of Babbitt's reform efforts. "There is a howling response that is coming from the West."

The opposition to Babbitt's proposal underscores the Clinton administration's difficulties in trying to overhaul the management of federal lands. The battle over grazing fees has been the most visible example of several recent policy debates affecting three major Western industries that use public lands: mining, livestock, and timber.

The policies—which range from protecting spotted owls to reforming a mining law—have set the stage for a showdown with Washington.

Businesses as well as environmentalists are angry over some of the administration's stances. Many small-business owners worry that the ultimate goal is to force businesses off the lands, while environmentalists think the administration often talks tough about reforms but backs down for political reasons.

On the grazing issue, for instance, the administration initially pushed for more-stringent environmental protections and larger fee increases than those in Babbitt's latest plan.

Babbitt's meetings with the working group, designed to provide input for his more moderate plan, came after Western Democratic governors voiced concerns about the political fallout President Clinton could face in their states in the 1996 presidential election as a result of the Interior Department's moves. In 1992, Clinton broke a traditional Republican lock on Western states, winning California, Colorado, Montana, Nevada, New Mexico, Oregon, and Washington.

Babbitt's move toward conciliation on grazing fees raised eyebrows among many environmental advocates. They contend the fees charged to ranchers and other private interests for use of public lands are well below fair market value and constitute a subsidy for those industries. Many environmentalists have urged Babbitt to stick to his guns when dealing with Western businesses.

Melanie Griffin, Washington, D.C., director of land-protection programs for the San Francisco-based Sierra Club, says Babbitt typically "comes out strong and makes visionary statements and then

PHOTO: JONATHAN BLOW

Fees for grazing cattle *on federal lands should be raised, but Interior Secretary Bruce Babbitt's proposed increase is too high, says Colorado rancher Ken Spann.*

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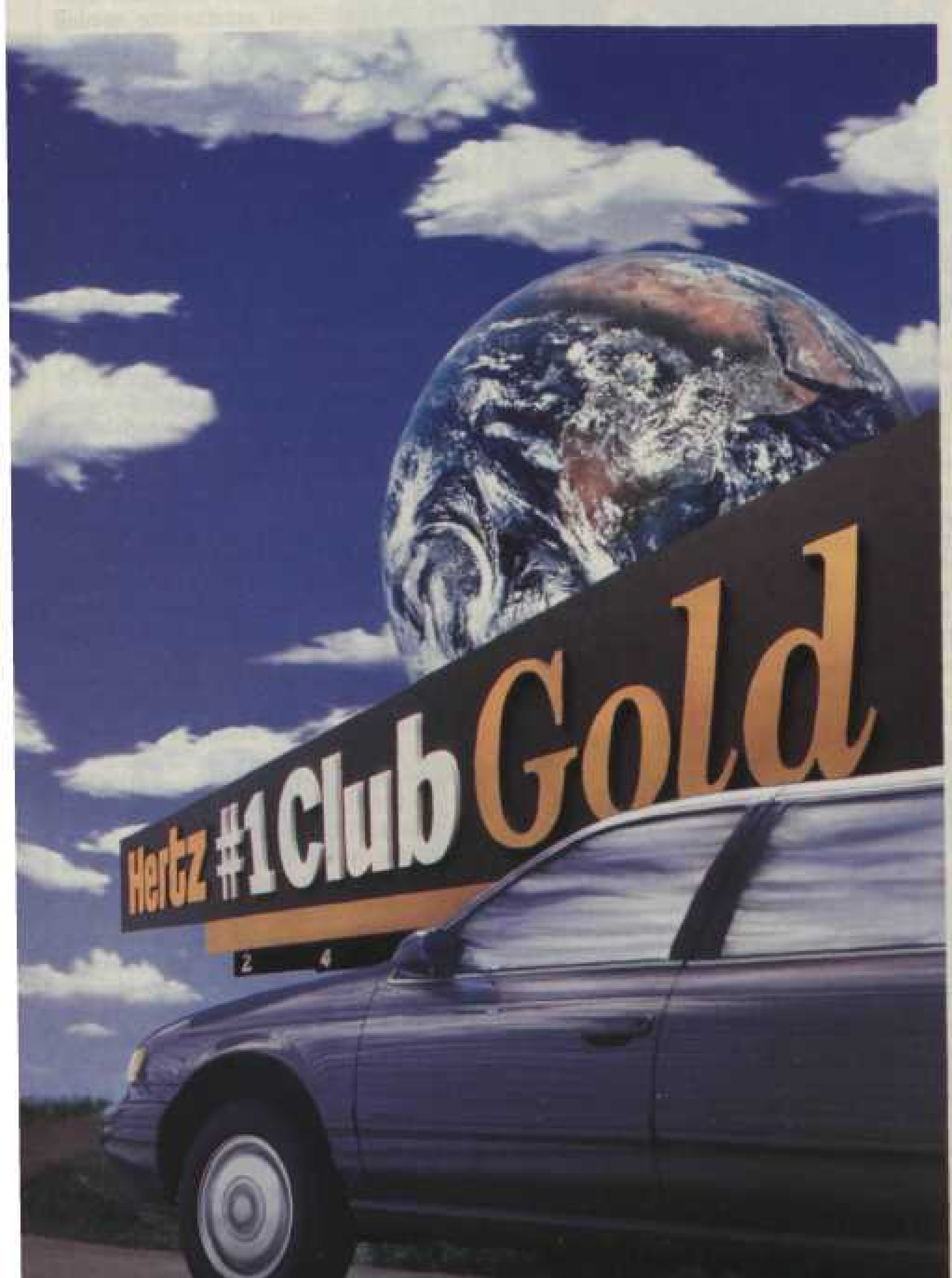

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REGULATION

PHOTO: ADAMS WEAVER—WIDE WORLD PHOTOS

In Tacoma, Wash., *Interior Secretary Bruce Babbitt talks with workers in the timber industry, which has been affected by the administration's land-use policies.*

forms these advisory boards that are doomed to failure."

Many small-business owners in the West, like Spann, generally agree that the fees they pay are too low. Yet they think the administration is pushing too far. The interior secretary, a onetime rancher and a popular governor of Arizona from 1978 to 1987, went on to become the president of the League of Conservation Voters. Today he is a lightning rod for criticism among Western business interests.

"He just is not of our philosophy," says Virginia Riedel, owner of the seven-employee Padre Canyon Ranch, in Babbitt's hometown of Flagstaff, Ariz. "To me, he has gone totally radical to the environmental side. He may be the hometown boy, but I'm here to tell you that to many people here his credibility is zero."

Interior Department spokesman Kevin Sweeney says that Babbitt has worked hard to take into account business concerns, and among other things he has agreed to review his grazing-fee hikes every year and change them if there is a negative economic impact.

The public has an interest in receiving a fair payment when industries use federal lands, Sweeney adds. "To demand that the public be fairly compensated for its resources is not unreasonable."

Perhaps acknowledging the administration's concern over reaction to Babbitt's efforts, President Clinton passed over him in May as a candidate for the Supreme Court, nominating instead Stephen Breyer, a federal appeals court judge. Conservative Western Republicans in the Senate—principally Orrin G. Hatch of Utah and Alan K. Simpson of Wyoming—had told the president they would fight a Babbitt nomination to the high court, largely because of his positions on land-use issues.

Although residents in many parts of the country are scarcely touched by the debate over the use of federal lands, the issue is central in the West because the federal government owns large portions of the land there. Altogether, the government owns almost 650 million acres, or about 29 percent of all land in the United States; that acreage is concentrated in 12 Western states. (See the chart below.)

Uncle Sam, Landlord Of The West

The government owns 650 million acres throughout the country, or 29 percent of all the land in the United States, according to figures for 1990. Most of the federal acreage is concentrated in Western states.

	Acres Owned By The Federal Government (In Millions)	Percentage Of All Land
Alaska	248.0	68
Arizona	34.2	47
California	44.5	44
Colorado	24.1	36
Idaho	32.7	62
Montana	26.1	28
Nevada	58.1	83
New Mexico	25.7	33
Oregon	32.3	52
Utah	33.6	64
Washington	12.4	29
Wyoming	30.4	49

SOURCE: U.S. GENERAL SERVICES ADMINISTRATION

Livestock, timber, and mining concerns draw extensively upon these lands. According to Interior Department data, about 27,000 ranchers have permits to graze livestock on federal lands, and there are about 325,000 outstanding mining claims on public lands.

In the mid-1980s, about 34 percent of the U.S. softwood sawtimber harvest was from publicly owned lands, according to the U.S. Forest Service. The percentage has shrunk since then, however, largely because of logging restrictions in the Pacific Northwest designed to protect the endangered northern spotted owl.

All three industries have been affected in various ways by policy-making in the past year. The Interior Department, which oversees about two-thirds of all federal land, has taken the lead role in representing the administration on these matters.

One of the first moves was a legislative proposal to revamp the 1872 Mining Law, one of the few remaining homesteading laws designed to encourage development in the West. Under the 1872 statute, mining concerns can extract hard-rock minerals for a $100 holding fee without paying royalties. They can also "patent"—or gain title to—the land for as little as $2.50 an acre.

The House and the Senate last year passed separate bills that would change the law and impose royalties of significantly different sizes. The differences in the two bills have yet to be reconciled.

The House bill, sponsored by Rep. Nick Joe Rahall II, D-W.Va., would impose an 8 percent royalty on extracted minerals and would require miners to take more-extensive steps to repair lands they use. Among other revisions, it also would eliminate patenting and require miners to pay a yearly lease of $200 for new claims.

The Senate legislation would impose a 2 percent royalty but allow most mining, exploration, and development costs to be deducted. Patenting would still be allowed, but miners would have to purchase federal land at fair market value. Sponsored by Sen. Larry E. Craig, R-Idaho, the Senate measure would allow state environmental laws to continue to govern repair of lands.

John Knebel, president of the American Mining Congress, in Washington, D.C., says the industry should pay more to use public lands, but he says an 8 percent royalty could endanger the industry and force many concerns overseas or out of business. The industry has endorsed the Senate bill.

While many environmentalists have pushed for royalties of 12.5 percent, they

generally support the House bill's 8 percent royalty. Philip Hocker, president of the conservationist Mineral Policy Center, in Washington, D.C., says Congress has waited too long to reform the law, creating a modern-day gold rush among companies. "In effect, Congress has rung the bell and said, 'Come and get it,' and has held the door open for years now," Hocker says.

> **Interior Secretary Bruce Babbitt "has taken on one of the most entrenched Western institutions. . . and that's the cowboys."**
>
> —Colorado Rancher Ken Spann

The Clinton administration, which at one point endorsed a 12.5 percent royalty, has yet to say which version of the legislation it supports.

The grazing-fee debate has been equally contentious. When Babbitt wanted to use his administrative authority last year to raise grazing fees to \$4.28 per animal unit month from \$1.86 per AUM, some Western senators protested by blocking action on the Interior Department's budget. Eventually, Sen. Harry Reid, D-Nev., and Rep. George Miller, D-Calif., proposed a compromise that would have lifted the grazing fee to \$3.45 per AUM. But that plan died as a result of the November Senate filibuster.

The Interior Department has not set a date for a final rule stemming from Babbitt's recent proposal, the one unveiled after his meetings in Colorado. But sources at the department say they hope to issue regulations by fall.

Many ranchers oppose the proposal because they believe they should pay a fair market value minus the costs they incur in building fences, irrigation systems, and other amenities that typically are included when private land is leased for grazing.

Some lawmakers who support more-stringent land-use reforms, meanwhile, have grown angry with Babbitt because they believe he has been too accommodating to business concerns.

In a scathing letter sent to Babbitt in March, Miller, chairman of the House Natural Resources Committee, and four other key Democrats told Babbitt his latest grazing-fee plan was a "radical departure" from his and Congress' earlier efforts. "Our concerns . . . are so substantial that we will be unable to support the regulations."

The timber industry has been affected in a different way. In an attempt to find a balance between the needs of environmentalists and timber companies in the Pacific Northwest, which have been battling over how to protect the northern spotted owl, the administration early last year began talks with industry and conservationists, with Babbitt taking the lead.

It has since developed a plan that would reduce timber-sales levels in the spotted-owl region in Oregon and Washington to about 1.1 billion board feet a year, compared with about 4.5 billion board feet a year during the 1980s.

The plan is expected to be subjected to lengthy litigation. Environmentalists say the plan, which has been submitted by the administration to a U.S. District Court judge in Seattle, doesn't go far enough to meet obligations under the Endangered Species Act of 1973. The timber industry is angered that the administration submitted its plan without involving Congress in the process.

Mark Rey, vice president of the Washington-based American Forest and Paper Association, says the industry expects the Clinton plan would reduce the harvest level in the Pacific Northwest to as low as 700 million board feet per year. He says the industry tried to work with the administration and wound up feeling burned. "I think that the approach [Babbitt] is taking on a number of these issues, while well-meaning and well-intentioned, is resulting in less rather than more consensus and ultimately less solutions," Rey says.

Business's response to these land-use policies has grown to a level of intensity that some Western politicians say could

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dwarf the Sagebrush Rebellion of the 1970s. That revolt began over federal-lands issues and grew into a Western backlash over almost any issue that caused friction between the Western states and Washington.

Sen. Craig says he senses a fear of Washington in Western communities. He says that to Westerners, grazing fees and mining-law changes are just parts of a larger picture that includes questions about water rights, wilderness-expansion proposals, and other issues.

"When you have a government whose policies drive you toward a zero-tolerance, politically correct environment, and you have an administration that is almost gleeful in enforcing those policies, you find that in the hinterland some people are likely to get trampled on," says Craig, one of Babbitt's strongest critics on Capitol Hill.

The recent backlash burst into the open last fall, while the Senate filibuster on grazing fees was under way. The American Land Rights Association, a conservative group based in Battleground, Wash., distributed to businesses a list of 85 internal White House telephone numbers. They kept White House staff members busy Nov. 9 with a flood of calls urging the president to fire his interior secretary.

Around that time, several Democratic Western governors—including Colorado's Romer, Wyoming's Michael Sullivan, and Idaho's Cecil D. Andrus—called the White House to warn the president that he was losing political support in the West. Shortly thereafter, once the filibuster ended, Babbitt headed to Colorado in search of a consensus.

PHOTO: ERON EDMONDS—WIDE WORLD PHOTOS

Colorado Gov. Roy Romer: *"An awful lot is at stake."*

In a recent interview with *Nation's Business*, Andrus said he thinks Babbitt erred in his initial push on grazing fees by focusing too much on fee hikes and not enough on incentives to promote good land stewardship. "It seemed almost like they wanted to get even for past sins," says Andrus, who served as interior secretary under President Carter.

"That poor devil has worn out three pairs of airplane wings and nine pairs of shoe leather to turn this around," Andrus says of Babbitt's meetings with Romer's working group. "Although if they had done this right the first time around, they wouldn't have had to do this."

But Andrus, who maintains that overhaul of the mining law is critical for establishing fair-market land-use fees, says strong law reform may be tougher to achieve now. Some businesses, he says, are "tasting blood in their success" after the filibuster over grazing fees, and that could dampen other reform efforts.

Romer says that "an awful lot is at stake" for Clinton in the 1996 elections.

In January, Babbitt created a stir when he replaced the Bureau of Land Management's director, Jim Baca, who had drawn complaints from industry and governors for his strong support of stringent land reforms.

Reached recently in New Mexico, where he has launched a bid for governor, Baca contends he was fired to appease Western governors and business interests. "The livestock industry and mining industry essentially have had it their way so long that they feel the public lands are their own," he says.

Perhaps some of the emotionalism that has marked the land-use debate can be explained by demographic changes taking place in the West. In the 1980s, Western states saw dramatic population increases, with many newcomers settling in urban areas. According to U.S. Census data, the metropolitan population in the 12 far Western

Searching For Common Ground

The debate over the use of federal land has always resonated with emotion in the West, but in recent years some stakeholders who have traditionally battled over environmental concerns have worked informally to find better ways to care for national resources.

In many Western communities, local environmentalists and ranchers have formed small groups that meet occasionally to discuss land-use issues. Often they find they agree on the need for tender care of the land and its resources, which attracted many of their homesteader ancestors to the region decades ago.

Tommie Martin, a Payson, Ariz., woman who has launched a business as a facilitator to such groups, says she is aware of at least 24 clusters in the West.

Some ranchers and environmentalists disapprove of such collaboration with their traditional nemeses, and snide remarks and name-calling are not uncommon at initial group meetings, several participants say. But often, some of the differences diminish as regular meetings continue, Martin says. "It's not as black-and-white as we have made these issues."

Sometimes, the groups embark on experiments into new ways to graze cattle that might better sustain the land. One such experiment took place recently on land owned by Interior Secretary Bruce Babbitt's family, which raises cattle on 702,000 acres of publicly and privately owned land in the Flagstaff area.

The experiment was carried out by William Cordasco, Babbitt's cousin and president of Babbitt Ranches LLC, and Dan Dagget, a member of an Arizona chapter of the Sierra Club. They decided to see what would happen if they intensively grazed a large number of cattle on a small parcel of land and then left that land unused for a long period.

Last year in the spring, they placed 175 head of cattle on five acres of land on the Babbitt ranch. For two days, the cattle hungrily nibbled at the grass, trampled the ground, and, in effect, fertilized the soil. The once-grassy land was barren.

But this past spring, after the land was unused for about a year, the grass grew back in plentiful supply. The five-acre tract appears to be in far better shape than some of the surrounding acreage that has been more sparsely but more continuously used for grazing.

"By far, when we went out there, we were happy with what we saw," Cordasco says. He says that while it is simply an experiment, he thinks the notion of using a cow as a tool to till the soil is intriguing.

Dagget too says he is pleased with the experiment but even more so with the overall idea of working together to come up with solutions to improve the land.

"We're finding out we share a lot of feelings about the land," Dagget says. "We both like open spaces—big open spaces, with as few roads and as few cars going through as possible. We found out we could get in the same room and say things besides, 'You're a welfare cowboy,' and 'You're an environmental extremist.' "

states rose by about 8.8 million from 1980 to 1990. The rural population in those states, meanwhile, grew as well, but only by about 713,000 residents.

Interviews with numerous miners and ranch managers running small operations in Western states suggest that business owners are uncertain about the direction the West is headed as urban regions gain more political clout. Many owners see their new city cousins as more liberal and more likely to oppose use of federal lands by industries that extract resources.

Babbitt has called upon Congress and Western stakeholders to embrace a vision of a "New West," where the beauty of the lands will attract more high-tech businesses and tourists.

At Dee Gold Mining Co., in Elko, Nev., such talk has managers worried. Mining companies, ranchers, and logging companies are concerned that they are not a part of this vision, says David Cook, general manager of the 60-employee company. "To people in the rural West, there is no New West," says Cook, whose gold-mining company operates solely on federal land.

> **When government policies lead to "a zero-tolerance, politically correct environment, . . . people are likely to get trampled on."**
>
> —Sen. Larry E. Craig, R-Idaho

Of course, it is not entirely clear that the West's new urbanites have different attitudes about the land, or whether they adopt traditional Western values sometime after they arrive.

But at times businesses are finding themselves at odds with urban values and even with other members of the business community.

For example, at Off the Beaten Path Inc., a 15-employee Bozeman, Mont., company that provides scenic tours of the West, managers have sometimes protested activities on federal lands that might damage their beauty.

The company recently opposed an effort by a mining company to open a mine near Yellowstone National Park. "Our customers will complain because some timber on a trail has been clear-cut, or a mine is being developed along their route," says William Bryan, president of the eight-year-old company.

As the debate over federal lands use continues, it is clear that Babbitt's battles are nowhere near over. At a recent Senate hearing on his grazing-fee proposal, the interior secretary discussed his efforts to reflect more fairly ranchers' concerns in his latest proposal. About 75 percent of grazing-permit holders would pay less than $1,000 a year in increased fees under his plan, he told lawmakers.

But Babbitt was chastised by members of the Senate Energy and Natural Resources Committee, which is dominated by Western lawmakers—many of them his staunchest critics. Said Sen. Pete Domenici, R-N.M.: "I don't believe the small rancher will be able to stay alive with the fees you have proposed."

"Unfortunately, I find very little balance in this proposal," said Sen. Malcolm Wallop, R-Wyo., "and I doubt it would be implemented fairly by this administration."

Babbitt affirmed his support for land-use reforms and vowed to continue working with businesses and environmentalists to find the consensus that has eluded him. "We have to break out of this adversarial relationship that has marked the Western landscape," he said. NB

LOOK FOR THESE UPCOMING STORIES

Welfare Reform

The August cover story will report on how small businesses are set to participate in Oregon's new experiment with welfare reform, while the federal government considers how to move forward with a national welfare-program overhaul. Wisconsin and New Jersey, meanwhile, are experimenting with ideas that may work. Also in August:

- Common scams against small business
- Improving your chances for a bank loan
- Pitfalls to avoid when relocating a business
- Pros and cons of leasing office equipment
- Barter as a way of doing business
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Beating Back The Competition

When you create a successful business, you have to face the competition — whether it's an imitator, another company invading your turf, a foreign firm, or someone with a lower price. Some of this country's sharpest entrepreneurs tell how they've bested their competitors — and how you can, too. In the September issue. Also in September:

- How states are attracting new businesses
- Special Report: Computer Buyers' Guide
- How businesses can protect the environment
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MANAGING

When Planning To Sell Your Firm

Here are steps you can take to ensure that your enterprise will be attractive to potential buyers.

By Michael K. Semanik and John H. Wade

Many entrepreneurs start businesses with the specific goal of making them successful enough to sell at a substantial profit.

You might be such a "back-end" entrepreneur, one who gears significant business decisions to the eventual sale price of the enterprise. Many of the original decisions about the nature of your business were also made on that basis.

But perhaps you did not begin to wrestle with the question of what your business is worth from an outsider's perspective until you had already made most decisions about its nature and structure.

Satisfied customers *can be a source of testimonials that will enhance the value of your business when you offer it for sale.*

Whether you have been back-end-minded since the beginning or were well along in the business before you began contemplating a sale, there are steps you can take to position the enterprise for eventual sale at a premium price.

Of course, a strong history of profits is the keystone to having a business that attracts buyers. However, profit is a relative term. Most small-business owners structure their financial flows to lessen their tax burdens. Moneys that might otherwise find their way to the bottom line (and thus be subject to taxation) are legitimately channeled into expensed items to provide benefit to the owner. Thus, pure profitability might not look that good even though the business is in fact very healthy.

The more clearly the benefits of ownership are evident in your financial statements, the easier it is to make the arguments about how much a new owner can expect out of the business.

There are many specific actions that can augment your business's strategic value. Here are some of the major ones:

Marketing

Maintaining good relations with your customers is the first rule of business. Begin a collection of testimonials from customers. Don't be embarrassed to solicit justified letters of commendation.

Another value-enhancing element of your marketing is consistency. If you decide to position your operation as "the lowest-priced store in the widget market," or "the highest-quality widget service center in the area," then apply that theme consistently in your advertising and promotion.

The ability to demonstrate that you have established a clear niche for your business over the years is an investment that can add to the price you receive for the business.

Name recognition is another value enhancement. Join local organizations, particularly the chamber of commerce, and be active. Promote local causes.

Operations

To the buyer who can pay the most for your business, the talent represented in your workers may be the most highly valued prize in an acquisition. Invest in regular training for your employees. Utilize factory training by your major suppliers. Keep records of their awards or other professional accomplishments.

Another value-enhancing element is cross-training. This can translate into real value in a strategic buyer's mind.

As in marketing, consistency in staff relations also adds value. Develop an employee manual. As a minimum it should include job descriptions, safety considerations, policies on vacations and sick leave, procedures for reporting to work, and a calendar of holidays and other key events. Give this manual to all employees, and consistently apply it.

Financial Concerns

First, pay your bills on time and take any quick-pay discounts offered. We realize this seems so self-evident as to be trivial. However, most business owners end up having to play cash-flow games at times. Letting suppliers be creditors for as long as possible often seems a good course, but resisting that temptation can pay off when you prepare to sell. Keeping current can turn suppliers into good references. And the resulting good credit rating also reflects well when you present your company for sale.

Good relations with suppliers can lead to other value-enhancing opportunities. Some suppliers offer awards for participating in various promotional campaigns.

Cultivate your banker. Meet all of your obligations in a timely fashion, and keep the bank informed in regular visits. Be upfront about any problems likely to affect your ability to meet your obligations. When you're ready to sell your business, you'll be surprised at how positive a reference your banker will be.

Administrative Concerns

Develop good relations with competitors. Be active in trade and industry associations. Go to meetings and conferences. Besides the sharing of industry operating ideas, you'll develop a better understanding of the different competitive postures in your industry and your competitive niche. Use this information to maintain a file on your direct competitors. Note their competitive distinctions, and keep samples of their advertising and promotional items.

Another value-enhancing element is prompt resolution of legal problems. Keep all licenses and permits in force. Maintain adequate insurance. And settle legal disputes as quickly as possible. NB

Michael K. Semanik and John H. Wade are founders of Triumph Associates, Charlottesville, Va., a brokerage and consulting firm for small and medium-sized businesses. This article was excerpted with permission of AMACOM Books from their book, The Complete Guide To Selling a Business, *© 1994, published by AMACOM, a division of American Management Assn., 135 W. 50th St., New York, N.Y., 10020. All rights reserved. To order the book, call 1-800-262-9699.*

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REGULATION

Disabilities Law's Wider Sweep

The statute's ban on job discrimination will soon be expanded to apply to firms with as few as 15 employees.

By Laura M. Litvan

On July 26, an additional 400,000 businesses will come under the Americans with Disabilities Act, the 1990 law designed to make jobs and public facilities more accessible to the disabled.

Since July 26, 1992, the law's ban on employment discrimination against the disabled has pertained only to companies with 25 or more workers. But on this July 26, the threshold drops to firms with 15 or more employees.

The result of that change is a 150 percent increase in the number of companies covered by the law, bringing the total number of businesses affected to 666,000, according to the U.S. Equal Employment Opportunity Commission (EEOC), which enforces the statute.

Among other things, the law's employment provisions make it illegal for a company to fire or refuse to hire someone because that person has a disability, unless the disability would prevent the individual from performing the basic functions of the job.

In addition, an employer must make reasonable efforts to improve access for and otherwise accommodate a worker who uses a wheelchair, requires telecommunications devices for the deaf, or has other needs. A company is not required to make changes that are so extensive that they would place an "undue burden" on the business.

The law applies not only to persons with physical disabilities, such as blindness or mobility problems, but also to those with mental illnesses or with contracted diseases such as AIDS. A federal court recently decided that obesity is a disability under the law.

By the end of March, nearly 25,000 employees or unsuccessful job applicants had filed disabilities-act claims with the EEOC.

Small employers who must soon comply with the law should take several steps to prepare, attorneys say. The first is to brush up on the disabilities law. There are numerous resources to help small-business owners understand their obligations under the law, including free guides and advice from the government. (See the box below.)

Small-business managers should also document the basic functions of every job at their companies, according to Karen Kienbaum, an attorney in the Detroit office of the law firm of Varnum, Riddering, Schmidt and Howlett.

If a disabled job applicant is turned down for a particular position because he or she could not perform the work required, a company can better defend itself against any discrimination charges if it already had on record the expectations for the job, Kienbaum says.

Another piece of advice: If a disabled employee at a profitable company needs a device to accommodate his or her needs, declining to purchase the device can be risky. Juries evaluating whether an accommodation poses an "undue burden" on an employer often look straight at the bottom line, Kienbaum says. NB

Resources To Help You Comply

The following services and publications are designed to help companies comply with the disabilities law:

■ The federal government's 10 regional Disability and Technical Assistance Centers provide numerous free services to businesses that have questions about the Americans with Disabilities Act.

These services include specific suggestions about accommodating an employee with a disability, compliance guides, and on-site training.

For the number for the center in your region, call 1-800-949-4232.

■ The President's Committee on Employment of People with Disabilities offers advice by phone to companies seeking low-cost ways to accommodate workers who have disabilities. Operators at the committee's Job Accommodation Network can also answer basic questions about the law. Call 1-800-526-7234. To reach the network's computer bulletin board, call 1-800-342-5526.

■ The U.S. Chamber of Commerce has published *What Business Must Know About the ADA: Compliance Guide*, a comprehensive, 88-page booklet available to U.S. Chamber members for $14, and to nonmembers for $21. To order, call 1-800-638-6582. Ask for publication No. 0320. Payment can be made by major credit card or by check made payable to the U.S. Chamber of Commerce and mailed to Publications, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062-2000.

■ Three hands-on guides to understanding the disabilities law are available from *Nation's Business* and Meeting the Challenge Inc., a Colorado Springs, Colo., firm that specializes in making facilities accessible to people with disabilities.

One is "Consultant-in-a-Box," which contains guidebooks and devices to help measure fixtures in a workplace for determining accessibility.

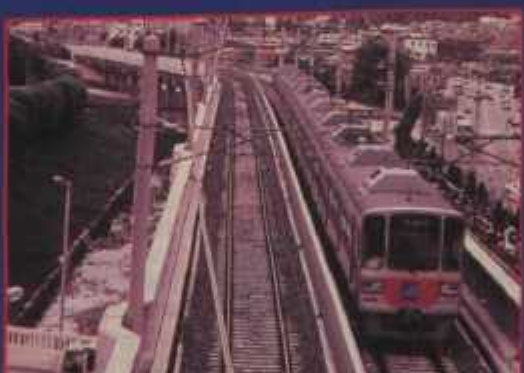
Another aid, called "ADA IQ," is a guide to provisions of the disabilities law on DOS 5¼-inch, DOS 3½-inch, and Macintosh computer disks. "Consultant-in-a-Box" costs $104.95, and the software costs $63.95; both prices include shipping and handling.

A third guide to the ADA is a videocassette, "The Basics of the Americans with Disabilities Act," priced at $53.95.

To order any of the three items, or all of them for $179.95, call 1-800-528-1993, or mail your check to *Nation's Business*, Circulation Department, 1615 H Street, N.W., Washington, D.C. 20062-2000.

■ "Complying With The New ADA Regulations," a package of reprints of *Nation's Business* articles, is available for $9.95. Send a check or money order, made payable to *Nation's Business*, to Reprint Manager, 1615 H Street, N.W., Washington, D.C. 20062-2000, or call 1-800-692-4000. Ask for package No. 8954.

KOREA



PHOTOS: KOREAN INFORMATION CENTER

SPECIAL ADVERTISING SECTION

KOREA

Tax incentives are still in effect for high-tech manufacturing industries. On the cover page: Centuries-old tradition symbolized by the temple continues as Korea's "New Economy" brings it closer to the status of an advanced industrial nation.

The history of Korean economic development is by now a familiar story. Through export-led industrialization, Korea was able to lift itself out of age-old poverty in the 1960s and '70s and eventually become one of the world's most successful developing countries.

Today, the nation stands on the threshold of advanced industrial status as it prepares to join the Organization for Economic Cooperation and Development in 1996.

Last year, Korea inaugurated its first truly civilian head of state in more than three decades. Under the leadership of President Kim Young Sam, the government has embarked on an ambitious program of economic revitalization and deregulation.

Government controls on private-sector business activity are being cut back at all levels. New incentives are being introduced to attract the kind of high-tech foreign partners that Korean industry so urgently wants and needs.

This report focuses on the reform policies that are likely to be of most interest to Korea's foreign economic partners.

Since the inauguration of President Kim 16 months ago, the new Korean government has focused on building a new economic order based on the voluntary participation and creativity of the people. The new administration has launched its "Five Year Plan for the New Economy," under which drastic institutional reforms are being carried out on a step-by-step basis in every sector.

The government has drastically cut administrative regulations and undertaken financial reforms to reduce excessive government interference. Specifically, such reform measures as registration of properties of high-ranking officials and introduction of the real-name financial transaction system have laid the groundwork for realizing the goals of a "clean government" and "economic justice."

To rekindle the nation's economic growth on the basis of such internal institutional reforms, the government will push ahead with deregulation, internationalization, and liberalization of the Korean economy. This will be accomplished through the introduction of wide-ranging measures for ensuring the continued flow of foreign capital and technology into the country, and promoting Korean investment overseas, facilitating exports of manufactured goods, and liberalizing such service sectors as distribution, transportation, construction, and communications, as well as the financial sector.

On Nov. 8, 1993, the Korean government unveiled its "Internationalization Strategy for the New Economy" under the strong initiative of President Kim. During a conference with relevant ministers, President Kim emphasized the importance of internationalization for the development of the Korean economy.

"The government," he said, "will endeavor to create a business climate conducive to foreign investment. It will continue to strongly push for openness and internationalization. ... We shall expand trade and investment with other countries in a spirit of positive economic cooperation."

The "New Economy" plan applies to these areas: Import Liberalization and the Uruguay Round; Administrative Deregulation; Liberalization of Foreign Investment and Simplification of Procedures; Permission for Land Acquisition by Foreign Investors; Tax Incentives for High-Tech Investment; Free Investment Zones; Financial Liberalization and Deregulation; Liberalization of Construction and Telecommunications Markets; Strengthening Protection of Intellectual Property Rights; and Stabilization of Wages and Labor-Management Relations.

The basic objectives of internationalization and deregulation that the administration is pursuing are geared to the so-called "Single Economy" that the world is entering at an accelerated pace. Characteristics of this new trend are:

- In economic terms, the concept of national borders is disappearing as so-called "national economies" are gradually merging into a single global economy.
- Many national enterprises are relocating their production bases to countries where they can produce the same goods at the lowest cost in order to cope with the increasingly fierce international competition.

To achieve an advanced economy as envisaged in the "New Economy" plan, Korea will make all-out efforts to internationalize various economic systems in order to expand exports and investment overseas, while pursuing market opening and inducement of foreign investment.

Under the "New Economy" plan, the Korean government is carrying out wide-ranging deregulation and expanding investment in social overhead capital with the aim of creating a climate for foreign investment equal to those of advanced nations.

Regulations that apply to domestic and foreign enterprises will be eased to the extent that maximum autonomy of corporate activities is guaranteed. In improving administrative regulations, emphasis will be placed on renovating systems considered cumbersome by businessmen, such as regulations governing acquisition of land, construction of factories, fund raising, and labor-management relations, so as to encourage the entrepreneurial spirit.

At the same time, the government is strengthening economic cooperation with other countries by taking a positive stance toward the Uruguay Round (UR) negotiations, participating actively in the Asia-

SPECIAL ADVERTISING SECTION

Pacific Economic Cooperation (APEC) forum, and preparing to join the Organization for Economic Cooperation and Development (OECD).

These are the steps that Korea is taking toward its goals of internationalization and deregulation:

Import Liberalization And The Uruguay Round

As one of the biggest beneficiaries of the General Agreement on Tariffs and Trade (GATT) free-trade regime, Korea has continually liberalized its import market in order to strengthen the world trade system.

In accordance with the current Import Liberalization Plan (1992-94), Korea liberalized 45 items in 1993. Korea's overall import liberalization ratio will rise to 98.6 percent in 1994 as a result of the liberalization of an additional 94 items.

The government will liberalize the remaining 142 agricultural products after 1994, under another import-liberalization schedule (1995-97) that Korea will submit to GATT.

In spite of Korea's reversion to trade deficits since 1990, the government will maintain its commitment to import liberalization.

As the world's 13th-largest trading nation, Korea has become a full participant in multilateral trade negotiations. Korea sees the Uruguay Round, in particular, as offering the best opportunity to curb the global trend toward exclusive regionalism and resulting trade frictions. Therefore, Korea has actively participated in the UR from the outset.

Korea's offer includes a comprehensive liberalization plan for eight service sectors, including the areas of telecommunications, construction, distribution, transportation, and finance.

Administrative Deregulation

One key area of reform under the "New Economy" is administrative deregulation. There will be less room for arbitrariness, delays, and errors on the part of government officials at the working level.

In a more specific sense, the objective of the administrative deregulation in economic areas is to raise Korea to the level of an advanced market economy in terms of its regulatory regime.

Foreign firms will find it easier to enter Korea once the government carries out its plan to relax existing entry barriers. This reform will inject the principle of fair competition into many of the over-protected and over-segmented business sectors that have been sheltered by excessive entry requirements, such as those where government licensing or permission has been required.

Liberalization Of Foreign Investment And Simplification Of Procedures

The Five Year Foreign Investment Liberalization Plan announced in June 1993 provides a specific timetable for allowing greater foreign participation in Korean industry.

Of the 224 lines of business in which foreign investment is currently restricted, 132 will be fully liberalized by 1997, while 76 will be opened up after that year, and 16 will be reviewed after 1998.

Accordingly, by 1997, some 93.4 percent of all Korean business sectors will be open to foreign investment, including virtually all manufacturing industries.

Among service industries, the ratio will be raised to 86.9 percent from 64.7 percent in 1992.

Full-scale foreign investment liberalization will be realized by including most businesses of greatest interest to foreign companies.

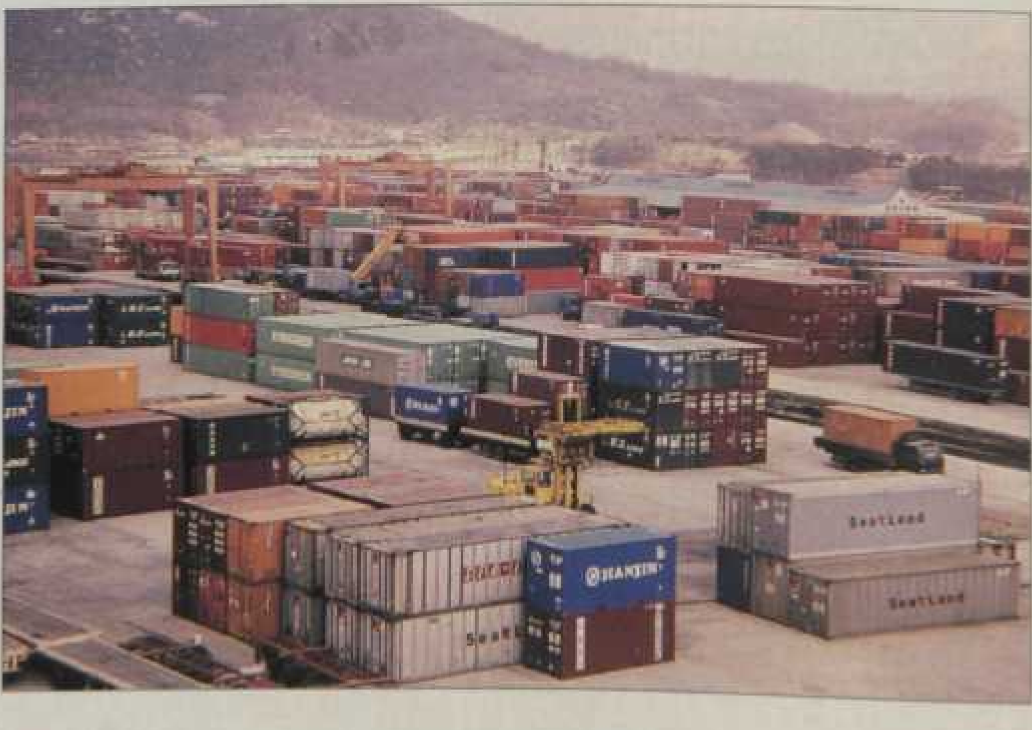
Permission For Acquisition Of Land By Foreign Investors

The Korean government has amended the "Alien Land Acquisition and Management Act" governing the acquisition of land by foreigners. The law includes provisions allowing foreign-invested firms in all business lines to acquire land for actual business purposes and housing lots (660 square meters or less) for their managers and staff.

Accordingly, land acquisition for service businesses will be allowed on a phased basis. Korean branches as well as local subsidiaries of foreign firms will also be allowed to acquire land.

The government is also planning to push forward with institutional reform to shorten the

As one of the biggest beneficiaries of the General Agreement on Tariffs and Trade (GATT) free-trade regime, Korea has continually liberalized its import market to strengthen the world-trade system. That liberalization is expanding under the "New Economy" plan.



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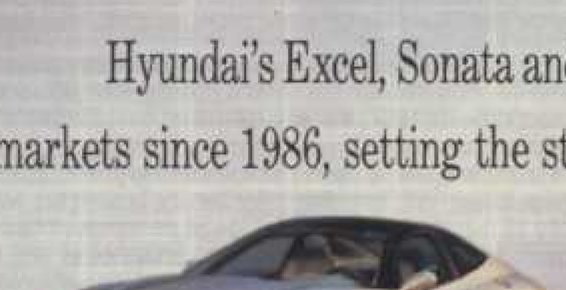

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KOREA

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Tax Incentives For High-Tech Investment
Tax incentives for manufacturing industries with high technology are still in effect:

A company is totally exempted from paying corporation tax and income tax from the beginning of the initial year of operation until the third year, and is exempted from an additional 50 percent for two years. Corporation tax and income tax for dividends are exempted 50 percent for five years at the beginning of the initial stage of company operation. Likewise, acquirement and property taxes for this period are exempted 50 percent. Imports of capital goods for investment purposes receive a benefit of 50 percent in customs and value-added taxes.

Along with the liberalization of service industries, high-tech service enterprises, such as the research and development centers and software-development firms, enjoy the same degree of tax exemptions provided for manufacturers.

Free Investment Zones
In recent years, foreign investment in highly advanced technology fields has been declining because of increased wages and the high cost of land acquisition.

Accordingly, the Korean government is now considering establishing special "Free Investment Zones" exclusively for high-tech foreign-invested companies. Such an industrial compound would be large enough to accommodate over 100 companies and would be equipped with a well-developed infrastructure. Additionally, land would be rented cheaply to companies in the compound for long periods, and investment and factory construction procedures would be streamlined.

Financial Liberalization And Financial Deregulation
In June 1993, the Korean government took the last of three big steps to deregulate the financial sector by announcing the Third-Stage Blueprint for Financial Liberalization and Market Opening.

The Blueprint is progressively relaxing the underlying documentation requirements that now apply to financial transactions. As a preliminary step, it raised the ceiling on foreign currency deposits in exchange for Korean won, and beginning this year the ceiling on foreign investments in the stock market is being raised gradually.

The Blueprint also calls for gradually opening the bond market to foreign investors and allowing foreign-invested firms greater access to offshore capital.

Additionally, the government will expand the period for deferred payment for imports between 1994 and 1995 in preparation for conforming with international standards by 1997.

Along with these external measures, the Blueprint contains provisions to liberalize the domestic financial sector. (For additional details on financing, see Page 48.)

The outlook for industrial relations is now very favorable. There is a growing recognition among workers that industrial strife results in a lower standard of living for all Koreans over the long run.

Liberalization Of Construction And Telecommunications
Under the internationalization strategy for the "New Economy," Korea is planning to progressively liberalize its construction and telecommunications markets, taking into consideration international trends and the liberalization of these markets under the Uruguay Round.

In the private-construction sector, the establishment of a single investment corporate body by foreign companies in the field of general construction was opened last January, and its establishment in the field of specific construction sectors will be permitted from January 1996.

The establishment of local branches by foreign companies in the field of general construction will be permitted from January 1996, and their establishment in the field of specific construction sectors will be permitted from January 1998.

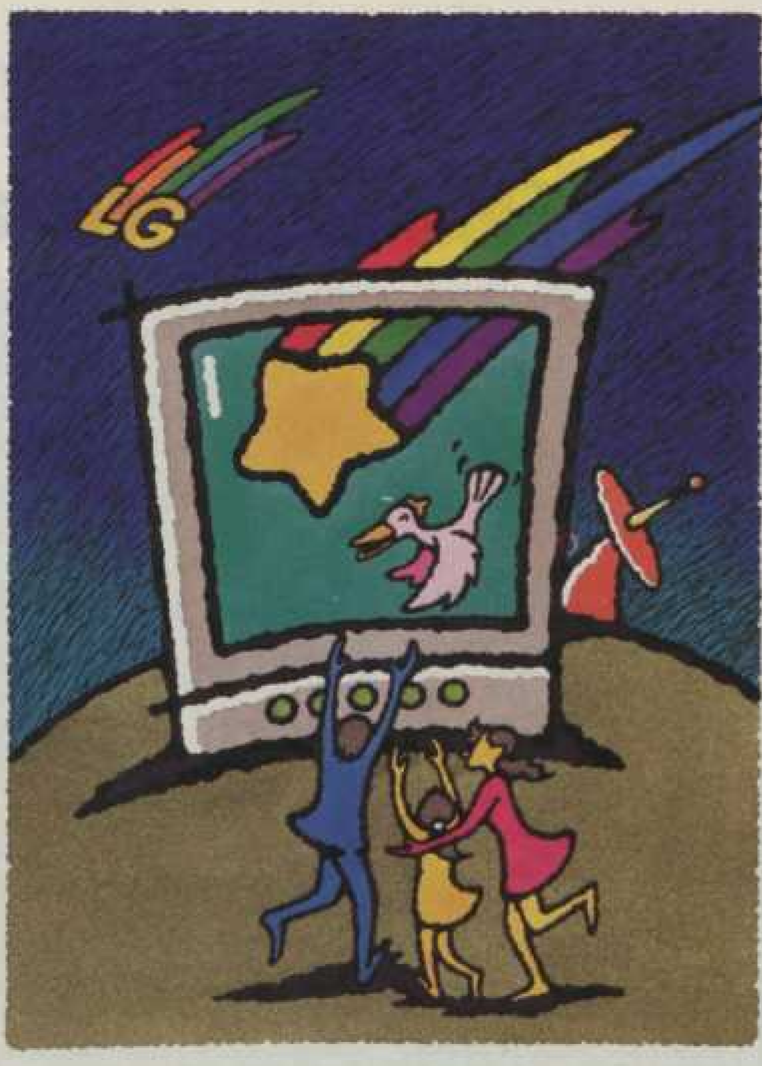
In the public-construction sector, construction projects valued at 2.1 billion won are planned by central and local government entities and will be opened to foreign bidding. The market for telecommunications equipment for civilian needs, including phones and faxes, has been liberalized. Furthermore, the network equipment market will be progressively liberalized from January 1995.

Strengthening Protection Of Intellectual-Property Rights
The Korean government fully recognizes that effective protection of Intellectual Property Rights (IPR) is critical for fostering domestic technological development and attracting high-tech transfers from abroad. Based on this recognition, the government has been strictly enforcing existing laws on IPR, upgrading the legal framework and institutions for IPR protection, and raising public awareness of IPR. (For more details on IPR, see Page 52.)

Stabilization Of Wages And Labor-Management Relations
Labor unrest has gradually subsided, and the outlook for industrial relations is now very favorable. There are various reasons for this favorable trend. But perhaps the major one is a growing recognition among workers that industrial strife causes a weakening of Korea's competitive position, thus resulting in a lower standard of living for all Koreans.

Increasingly, labor disputes are being resolved without government intervention. Moreover, in March 1993 the central labor and employers' organizations agreed on a wage guideline for the first time in recent Korean history.

The ambitious program of economic revitalization and deregulation described above is aimed at making Korea, in the words of President Kim Young Sam, "the best place in the world to do business."



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SPECIAL ADVERTISING SECTION

Strong Action On Financial Deregulation

Financial deregulation is a key element in the "New Economy" plan.

It includes drastic easing of restrictions on foreign-currency loans, such as fixed lending rates to enable financial institutions to satisfy businesses' foreign-currency needs, making use of the increasing foreign-currency funds flowing into the country following liberalization of the capital market.

The government will also relax qualifications on businesses' issuance of foreign-currency-denominated securities by allowing them to do so to cover the costs for importing technology in conjunction with the import of facilities, and for obtaining services needed. It is also the government's intention to expand the annual limit on the issuance of securities denominated in foreign currency, taking into account the need to help promote investment in facilities.

Those and other related deregulation steps flow from actions taken by the Korean government. In June 1993, the government took the last of three big steps to deregulate the financial sector by announcing the Third-Stage Blueprint for Financial Liberalization and Market Opening.

These bold and comprehensive reform measures under the Blueprint are progressively easing the underlying documentation requirements for financial transactions.

As a preliminary step, it raised the ceiling on foreign-currency deposits in exchange for Korean won currency from US$100 million to US$300 million in 1993. By 1997, the underlying documentation requirements for ordinary transactions will be lifted.

The ceiling on foreign investments in the stock market is being raised gradually. The Blueprint also calls for opening the bond market to foreign investors in stages. One of the first steps was to allow foreigners to purchase equity-linked bonds such as convertible bonds issued by small and medium-sized enterprises starting this year. In 1995, the government will permit foreigners to invest in bond-type beneficiary certificates as a way of indirectly entering the bond market. More direct entry will be made possible by 1997, as foreigners will be able to invest in the secondary bond market through the purchase of long-term, nonguaranteed bonds issued by small and medium-sized companies.

The Blueprint includes measures that will relieve the fund-raising difficulties of foreign-invested firms by allowing greater access to off-shore capital.

Foreign-invested firms that are engaged in high-tech manufacturing and services are already allowed to borrow from abroad on a short-term basis of up to three years. By 1995, the scope will be broadened to include foreign-invested firms engaged in general manufacturing. By 1997, given that macroeconomic conditions, including Korea's balance of payments and the interest rate differential between the domestic and international market, are favorable, Korea will allow commercial loans for all firms regardless of whether these companies are foreign-invested or domestic.

Additionally, the government will expand the period for deferred payment for imports between 1994 and 1995 in preparation for bringing this period in line with international standards by 1997.

Along with these external measures, the Blueprint contains provisions to liberalize the domestic financial sector. One major step is the second-stage interest rate deregulation implemented in November 1993. This step will speed up the relaxation of governmental regulation of most lending rates.

At the same time, the government has decontrolled the issuance rates of financial bonds, monetary stabilization bonds, and public bonds, which had been originally scheduled for after 1994. The decontrol of deposit rates will be completed by 1996, with the exception of demand deposits. By 1997, a plan will be formulated to liberalize the rates for demand deposits.

The government will also relax the maturity and issuance limits for short-term money-market products such as CDs, a major source of local currency funding for foreign banks.

In addition, policy loans, which have been a major hurdle to initiating financial liberalization, will be reduced or streamlined. Such loans will gradually be handled by specialized banks or included under the government's budget.

The government will allow enterprises greater access to foreign financing to help promote facility investment by enterprises and internationalization of their business operations.

The internationalization strategy calls for the government to ease drastically such restrictions on foreign-currency loans as applying fixed rates to such transactions.

Korea's new economic policies are making it easier for foreign companies to acquire land for business and residential purposes and are strengthening intellectual-property rights to foster domestic technological development and attract high-tech companies from abroad. In addition, financial deregulation is a key factor in steps by the Korean government to facilitate foreign investments.

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SPECIAL ADVERTISING SECTION

KOREA

Protection For High-Tech Ideas

A three-element plan for protection of intellectual-property rights (IPR) is being implemented by the Korean government in recognition of the importance of such protection to high-tech development by both domestic industries and foreign firms operating in Korea.

This program consists of:

- Upgrading the legal framework and institutions for IPR protection;
- Strict enforcement of existing laws on IPR;
- Raising public awareness of IPR.

As for the legal framework and institutions related to IPR, the government will carry out improvements in these areas under the auspices of the "Five Year Plan for the New Economy." Most of the improvements will focus on reducing disparities between international standards such as the Trade Related Intellectual Properties text of the Uruguay Round (UR/TRIP) and Korean institutions and laws.

Amendments to several other laws will also be made, including the Computer Program Protection Law, the Customs Law, and the Semiconductor Chip Protection Law.

The computer law contains exclusive rental rights, and the chip-protection statute has tougher measures against infringers in the areas of exports and imports. The amendment to the Semiconductor Chip Protection Law will be submitted this year. It will narrow the scope for imposing nonvoluntary licensing procedures and expand the right for compensation to cover patent holders and licensees for losses incurred as a result of infringement. The Patent Law, Trademark Law, and Industrial and Design Law will also be amended to conform more closely with international standards.

With regard to enforcement, the Prosecutor-General has been carrying out an exhaustive crackdown on the illegal copying of software and video-game cartridges, production of unauthorized video and sound recordings, and the export of counterfeit footwear. The authorities have pursued the maximum punishment possible under the law when infringers are tried. As a result, indictments of intellectual-property-rights violators tripled in 1993 compared with the whole of 1992. The administration backed the activities of the Prosecutor-General by providing US$1.14 million from the 1993 special budget for these operations and will henceforth include them under the regular administrative budget.

Because it is difficult to establish a sound and effective protection regime without proper public awareness of the importance of IPR, the government has been conducting publicity campaigns on IPR issues as the third component of its strategy to strengthen its regime. These efforts include an educational program to raise the public profile of IPR and to let people know the seriousness with which the government will deal with infringers.

"Korea was able to lift itself out of age-old poverty and become one of the world's most successful developing nations. . . Today, the nation stands on the threshold of advanced industrial status."

The Korean government has selected a symbol mark and five logos to publicize IPR protection, which, with the cooperation of the local business community, will be used in promoting IPR awareness through the mass media. Moreover, public-service announcements on IPR issues have been regularly aired on nationwide television since October 1993.

The plan for improvements to the copyright law also includes a 10-fold increase, to $37,500, in penalties for violations, and classification of the possession of copyright-infringement goods for commercial purposes as a breach of the statute. It also provides for introduction of a dual-penalty provision allowing an infringer to be both fined and imprisoned.

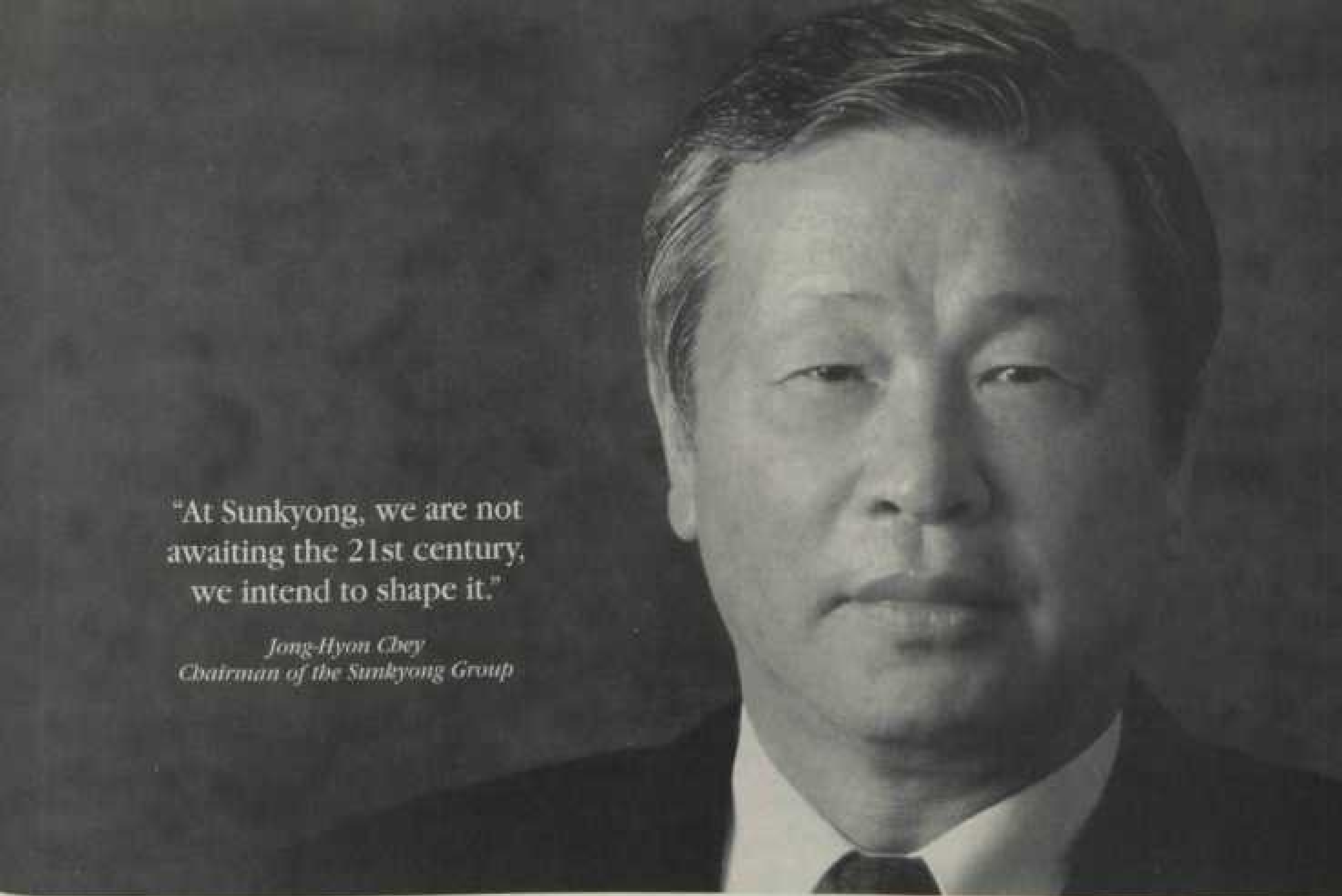
Under a similar tightening, the Computer Protection Law also allows for a dual-penalty provision and the penalty increase to $37,500 from $3,750.

In addition, the Korea Customs Administration was to gain greater authority to monitor and seize goods, whether for import or export, that infringe on intellectual property rights.

In addition to reassuring high-tech companies on their intellectual-property concerns, the "New Economy" plan also relates to such companies in the tax area.

High-tech service enterprises, such as R&D centers and software-development firms, enjoy the same degree of tax exemptions provided for manufacturers. Tax-incentive benefits are also applied in the case of direct services (technologies) provided to the manufacturers of tax-exempt items.

Furthermore, royalties for importing advanced technology are totally exempted from corporation tax or income tax.



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For more information, contact John Rich, Sunkyong U.S.A., Inc., 110 East 55th Street, New York, N.Y. 10022, Fax: (212) 906-8137

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Small-Business Computing

Keeping your drive in peak condition; controlling Windows programs; something for sports fans.

By Albert G. Holzinger and John T. Cleland

MAINTENANCE AND REPAIR

Software For Hard Drives

ILLUSTRATION: WILLIAM COULTER

Tell Dr. Tom Lo, a chiropractor in Crofton, Md., where it hurts, and he'll work calmly and methodically to ease the pain. Yet when he learned why his ailing computer had devoured his appointments schedule, he considered using a hammer to put the PC out of its misery.

The problem with Lo's PC, he found, was a common one: Its hard-disk drive had slowed down and then failed altogether. Lo also learned that simple periodic maintenance could have prevented the problem.

Lo was lucky. Although losing his schedule of forthcoming appointments was inconvenient, it did not irreparably damage his practice. But you may not be as fortunate as he was if you let your business computers' hard drives spin on and on without cleaning.

Keeping your computers' hard drives in peak operating condition is inexpensive and doesn't require a trip to a repair shop. It simply requires purchasing and periodically using disk-optimization and low-level-formatting software.

When a hard drive is new, the disk operating system (DOS) saves stored files contiguously, with the beginning of one file abutting the end of another. If the length of a stored file is increased—if pages are added to a word-processing document, for example—the revised version will not fit into the disk space originally allotted. DOS remedies this by storing the information elsewhere on the hard disk and noting its location in a file allocation table (FAT). The next time the word-processing file is accessed, DOS uses the FAT to reassemble the pieces before shipping them to the computer's random-access memory (RAM).

Over time, however, a hard disk's many files can become severely fragmented. When that happens, DOS takes longer and longer to find and assemble the files' pieces, and the machine slows down. The FAT can become so complex that DOS will begin losing track of file fragments, and, as a result, data can be lost forever.

Disk-optimization software is complex, but it produces simple results: Defragmented files are stored contiguously just as they were when the disk was new. Optimization software, however, solves only one of the two most common hard-disk problems.

Over time, a drive's magnetic particle "tracks" get out of alignment, and some or all of the disk is rendered incapable of maintaining data accurately. At best, the disk will have diminished storage capacity; at worst it will lose data. Low-level formatting software tests the hard drive and corrects most, if not all, magnetic alignment problems.

Disk optimizers can perform their work in anywhere from a few minutes to about an hour per drive. They are relatively easy to use and generally list for about $175. They should be used monthly to ensure maximum hard-disk performance.

Low-level-formatting software, which also lists for about $175, will tie up a hard disk for eight hours on average, but it needs to be run only once or twice a year. Moreover, this software can run unattended when your business is closed.

An important caution: Although both varieties of programs are designed to protect data, be sure to play it safe by backing up at least your most important files before beginning.

Our favorite disk-maintenance utilities are **Norton Utilities**, by Symantec Corp., (with a list price of $179) and Central Point Software Inc.'s **PC Tools** for both DOS and Windows (both versions list for $180). These packages can be found at most discount retail and mail-order outlets.

John T. Cleland is a free-lance writer in Crofton, Md.

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hundreds of devices that can be added to a basic PC to make it more functional.

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■ You install the new component, cross your fingers, and turn on the computer's power.

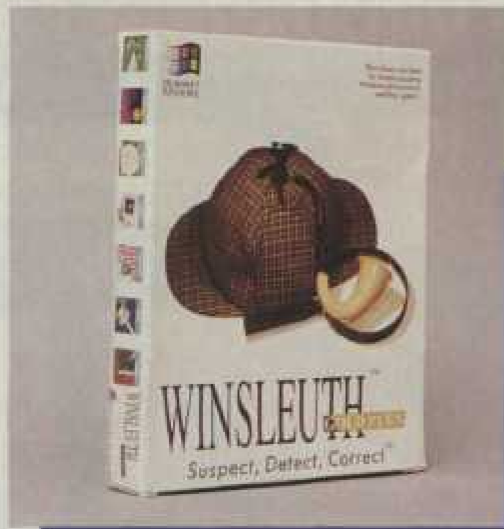
■ You moan in anguish as the newly installed device and everything else in the PC behaves erratically or does not work at all.

Over the years, manufacturers have written software that attempts to identify and, in some instances, resolve hardware and software conflicts. Some programs are much more functional and reliable than others, however, and careful shopping is in order.

Recently we've been using two exceptional diagnostic tools. The first is a program that is popular among PC repair professionals: version 5 of **Micro Scope,** by Micro 2000 Inc. of Glendale, Calif.

This product is unique in that it comes on a disk that boots independently of your PC's operating system, which is most likely DOS or the Microsoft Windows graphical user interface (GUI). This allows Micro Scope to "talk" directly to the computer's hardware without relying on the operating system as a translator. As a result, Micro Scope's findings tend to be the most accurate in the diagnostic-software business.

The memory, system-hardware, and other tests performed by Micro Scope are too numerous to mention (you can get a list from Micro 2000), but they are comprehensive. Micro Scope costs $499 direct from Micro 200 (818-547-0125), which is a lot for software that you will use only occasionally. If your business, however, has several computers that you upgrade frequently, this product will pay for itself quickly in time and frustration savings.



WinSleuth Gold Plus, *by Dariana Software, is a diagnostic tool that examines a PC's subsystems, including disks, video, communications ports, and memory.*

If you work in the Windows environment, **WinSleuth Gold Plus,** by Dariana Software Inc. of Cypress, Calif., (1-800-892-9950) could be the right diagnostic and analytical tool for you.

WinSleuth isn't infallible, but this full-featured product is more than accurate enough to recommend for most business uses.

Like Micro Scope, WinSleuth examines all of a PC's subsystems, including disks, video, communications ports, and memory. But unlike Micro Scope, WinSleuth reports its findings in a graphical, easy-to-understand manner. Moreover, WinSleuth provides sage advice on tuning up system files such as "autoexec.bat" and "config.sys."

WinSleuth Gold Plus lists for $99.95, but it is available at discount retailers for about $60. ■

WORKING WITH WINDOWS

Get Organized

While some of the many Windows desktop-replacement programs now on software store shelves are more capable than version 2.0 of Hewlett-Packard Co.'s **Dashboard,** none we've seen is more stylish and flexible.

This well-conceived program gives you fast access to and complete control of all your Windows program groups and items as well as your printers and fax modem, if you have them.

Dashboard helps you stay organized. It allows you to track appointments with an alarm clock/calendar feature. Moreover, it helps you track remaining system memory resources with a clever "fuel gauge."

Another unique item is a DOS command-line window that lets you perform DOS functions such as making copies and executing programs without leaving the Windows environment. Dashboard provides for three, five, seven, or nine virtual desktops. Each can provide instant access to a unique combination of software programs, and you can switch among the desktops easily. Thus, for example, you could use one desktop for writing reports, another for financial tasks, and still another for accessing online services or other remote information sources.

In short, while Dashboard will be useful right out of the box, you will be able to totally customize this product as you gain experience with it.

Dashboard requires only about 1.5 megabytes of free hard-disk space, which makes it perfect for portable as well as desktop PCs.

We remove most of the software we evaluate from our hard drive, but this one is staying.

Dashboard lists for $99, but it retails for substantially less.

Dashboard, *from Hewlett-Packard, provides access to and control of all your Windows program groups and items as well as your printers and fax modem.*

Add-Ons To Help You Find Your Files Fast

Working in the Windows environment has become so popular—Microsoft's graphical user interface is preloaded on almost every new PC—that add-on programs aimed at improving one or more aspects of Windows operations abound.

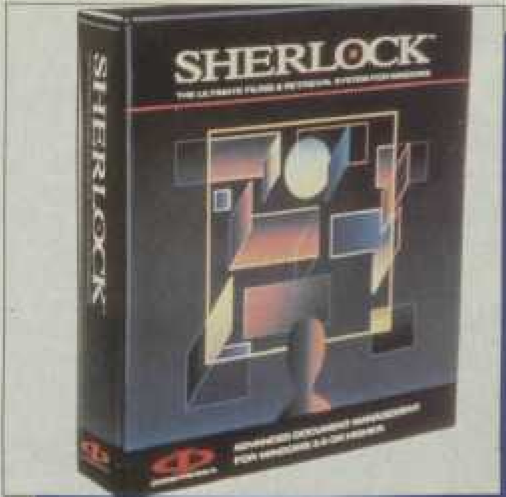
That's particularly true in the areas of file management and utilities. The truth is, Windows does not do file management well, certainly not compared with Apple Macintosh's desktop file folders.

Several new programs attempt to make Windows more Mac-like by creating file cabinets and folders and allowing file names that are longer than eight characters (a DOS/Windows limitation that leads to cryptic file names like NBSTJN1 and others that a week later are indecipherable even to the creator).

Within the next year, Microsoft will introduce the fourth iteration of Windows, and preliminary reviews suggest a much-improved file-management system. Until then, utilities that improve one's filing life are welcome.

Hence our enthusiasm for two Windows add-on programs: Sherlock and Golden Retriever.

If you have files referring to a single project that were created in different programs—say, a word-processing docu-



Sherlock, *from 2010 Software, lets you group files in familiar "places" such as an office or a file cabinet.*

ment and a spreadsheet with some presentation graphics—**Sherlock** may be just what you need to keep the files organized.

The program, from 2010 Software Corp. of Hasbrouck Heights, N.J., allows you to group files in familiar "places," such as an office, a file cabinet drawer, and so on. You can put files together that relate to one subject, or client, or whatever, and retrieve them at any time. And you can assign file names of up to 254 characters.

While Sherlock is a Windows-only program, it won't work with all Windows programs. It does work with the big sellers, however. Also, we found it somewhat slow, even with a fast 486 PC.

Despite these shortcomings, this is a dandy little program if you have a lot of files to manage. Sherlock also works on networks, which might be the best place for it. This is the program's second revision. The suggested price is \$139. You can call 2010 Software at 1-800-952-2314.

Golden Retriever, from Above Software of Irvine, Calif., is occasionally overly cute (for example, icons look like dog bones, and a search icon features a baseball bearing the word "fetch"), yet it's a more than serviceable utility.

One of the program's better features is side-by-side panels of file lists, so you can move files from one location to another and see the results. This feature is similar to Symantec's Norton Commander and Norton Desktop for Windows.

Golden Retriever lists for \$99 and is available at discount prices from most computer stores, or you can call the company at 1-800-344-0116.

—Ripley Hotch

BITS AND BYTES

Little Things

We don't often write about entertainment software, but then we seldom run across products as fascinating as the **Major League Baseball SportsGuide with ScreenSavers,** by Momentum Development Inc. of Ashland, Ore.

The \$49.95 list price includes Windows screen savers and wallpaper (the background behind Windows displays), a personal information manager with an appointment calendar and telephone book, baseball team and league statistics, and a trivia game.

The most fun of all is dialing up the company's mainframe computer each morning for an automated update of the program's statistical data. (This service costs \$29.95 a year.)

The company has a similar program for hockey fans. A football version is expected this fall. All are available at most discount retailers.

■ If your company exports or has foreign customers, chances are you've had to convert weights and measures to the metric system. An inexpensive program called **Conversion Master,** by Hillcrest Software Products Inc., in Oak Ridge, Tenn., makes this potentially difficult and time-consuming exercise easy.

The program allows fill-in-the-blanks conversion of more than 500 units of measurement commonly used in the scientific and technical as well as commercial fields. To some, it will be worth the software's \$49 price just to learn these units, their uses, and their symbols. The program runs on almost any IBM-compatible PC, and it's fun.

To order directly, call 1-800-793-0841.

■ OK, you've decided at least to consider quitting the rat race and becoming a "lone eagle" (telecommuting talk for someone who runs a business from home by computer and telephone). You could live (and work) anywhere you want. But where would that be?

Have we got a toy for you. The Prentice Hall **Places Rated Almanac's** quadrennial edition is available in a software version for \$39.95. Lots of color, lots of ways to compare the information, and "intelligent logic," which lets you weigh data and gives you a more tailored answer than the book can. To order, call 1-800-428-5331. NB

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MANAGING

Tips For Handling Terminations

These guidelines can help you reduce the risk of being sued by a discharged employee.

By Paul F. Mickey Jr.

ILLUSTRATIONS: WILLIAM COULTER

The most seasoned business owner often turns into a white-knuckled novice when the time comes for a difficult termination. Ending an employment relationship is never easy, but some termination meetings seem certain to be particularly contentious. There are powerful reasons to avoid a misstep. Any suggestion of discrimination could lead to a lawsuit under the Civil Rights Act of 1991, which provides for jury trials to determine compensatory and punitive damages.

Every termination meeting is different, and the likelihood of challenge is ultimately governed by factors as variable as the temperaments of the people involved. But attorneys who handle employment controversies know that certain themes recur in difficult cases, and there are various ways to minimize the risk of a successful legal challenge.

Abiding by the suggestions below will not necessarily eliminate all disputes, but doing so should greatly diminish the prospect of litigation.

Avoid Surprises

Before you decide to end an employment relationship, you should first make sure that you can answer yes to these questions: Is the documentary record complete? Have company policies been followed? And most important, has the employee been made aware that the end is near?

The statutory and common-law claims that an employee may assert are the combustible material of legal disputes, but the spark that ignites them is the employee's sense of injustice at having been caught off guard and treated unfairly.

The most important suggestion an employment lawyer can offer is: Try to put yourself in the place of the employee and anticipate his or her likely reactions.

Consider issuing a clear final warning instead of proceeding with the termination. If the rules of probation are set properly—termination can occur at any time during the period, and performance must remain satisfactory even after probation ends—then the burden of waiting to shore up your ultimate position should be well-justified.

Being certain that the employee can't claim surprise is particularly important now that nearly all employment claims are reviewed by juries. Jurors will generally try to follow a judge's instructions on technical legal issues, but they will also consider the fundamental fairness of the employer's action. If the employee wasn't made aware of your expectations and your sense that they were not being met, and if you did not give the employee an opportunity to turn the situation around, there's a good chance the jury will stretch to find a reason to hold you liable.

Examine The Rationale

Think carefully about the rationale for your decision. Recognize that human nature will lead the employee to ask for an explanation. If you try to get by with an ill-prepared or sugar-coated response in any termination discussion, you risk fueling the employee's sense of injustice. You might even use terminology that could be used in a discrimination complaint to the federal Equal Employment Opportunity Commission.

You should also remember that the concept of at-will employment doesn't get you very far. This doctrine, which is in effect in Washington, D.C., and 49 states, is based on the presumption that an individual hired without a specific term of employment may be dismissed at the will of the employer at any time for any reason. (The exception is Montana, where recent legislation requires that an employer must have cause to discharge an employee.)

On top of that presumption, however, is a rapidly growing body of employment statutes and case decisions identifying a host of reasons why an at-will employee can't be terminated. You should be prepared to articulate the legitimate, performance-based reasons for any termination before acting.

Handle Misconduct Carefully

Some of the trickiest termination meetings involve confrontations over alleged misconduct. Employers who suspect that serious policy violations or illegal acts have occurred are often in a hurry to dismiss the alleged perpetrator and perhaps set an example for other workers as well. But while firing an employee on the spot may produce a fleeting sense of satisfaction that company principles have been affirmed, it is almost never a good idea.

If misconduct is involved, lead with questions. There are at least three good reasons why this termination meeting should start with thorough questioning about the suspected misconduct.

First, the employee may have an explanation that raises questions about his or her culpability. An honest mistake, a mistaken identity, or some other fact may be involved that changes the picture dramatically. If the employee is going to offer an excuse that sounds plausible, regardless of whether it's honest or contrived, you should take it into account before you announce your final decision, even if you ultimately decide it isn't worthy of further investigation.

Second, if you ask questions before you

Paul F. Mickey Jr. chairs the Employment and Benefits Group at the law firm of Shaw, Pittman, Potts & Trowbridge in Washington, D.C., and served as counsel for the employer in Harris vs. Forklift Systems Inc., *the Supreme Court's recent ruling on sexual harassment.*

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pronounce judgment, the employee may volunteer information that would not be forthcoming after termination. The employee may say that a supervisor condoned the misconduct, or that other workers are engaged in the same activity, or that he or she will resign, relieving you of the burden of making a decision based on ambiguous facts.

A resignation that precedes notice of termination will probably be deemed voluntary, while one that follows usually has the same legal consequences as a discharge.

Third, if the meeting starts as an investigation, your final decision can take into account the employee's demeanor, candor, and cooperation. An employer often is uncertain of the facts even after investigating and may be hesitant to terminate based solely on suspected misconduct. The decision may be far easier to justify when the employee's inconsistent or evasive answers are taken into account.

These three tactical considerations can also be viewed as another aspect of the procedural fairness that a jury might evaluate: Was the individual allowed to hear and respond to your charges of misconduct? If the answer is no, then your decision will be at risk regardless of any technical legal grounds you may assert.

Explain, Don't Argue

Employers commonly believe that a proper termination meeting should be brief. They've come to understand that it's a mistake to debate the details of every judgment that led to the decision to terminate. But while this precept is generally true, there's a countervailing consideration to bear in mind: Any justification you don't at least mention in your meeting may be unpersuasive in later litigation.

If you offer no reason, you'll surely appear arbitrary. And if you mention some reasons but not others, you should not expect the reasons that are left unspoken to appear credible to a jury.

Choose A Result

Consider whether you are terminating the employee or asking for a resignation. Some employers routinely ask for a resignation, while others insist on calling the decision a termination. Neither approach is necessarily right in all instances; each has advantages and disadvantages, and you should think them through carefully in each case.

Minimizing the employee's anger is always a valid goal. If your review of the situation and your assessment of the employee's temperament lead you to think that offering a resignation may help keep relations on a higher plane, that may well be the right approach.

But don't be deluded by other apparent advantages of the resignation option. Courts and employees alike are quick to recognize a compelled resignation, and the fact that an employee agreed to tender a resignation under pressure is in no sense an assurance that legal charges will not be filed.

If you choose to offer resignation, be

clear about how unemployment compensation will be handled. The employee may be suspicious of your motives, fearing that a resignation will lead to disqualification for unemployment benefits.

In fact, as long as you don't oppose the employee's application for unemployment benefits or assert that the decision to resign was truly voluntary, benefits should be available. Be certain the employee understands that you will take this benign approach.

A final thought about unemployment: If you must terminate an employee for misconduct and the employee is likely to file a legal challenge, be aware that successfully opposing unemployment benefits may be of substantial assistance in a subsequent lawsuit.

Under the doctrine of administrative estoppel, facts that are established during an administrative hearing for unemployment benefits may provide the basis for subsequent court action. Suppose, for example, you fire an employee for serious misconduct, and an administrative law judge considering the former employee's unemployment claim determines that the misconduct took place as alleged. If the former employee later files a lawsuit claiming defamation, the court may simply adopt the administrative law judge's finding that there was misconduct and rule in your favor.

Thus, before you make the decision not to contest unemployment because you don't want to antagonize the former employee needlessly, consider whether you want to forgo this potential advantage.

Avoid Promises

Don't make promises you may not want to keep. Employers often want to be conciliatory in termination meetings; they may want to defuse the situation and volunteer in general terms to provide any assistance they can. They may offer the affected employee the right to stay on the job for a month or two while conducting a job search, or they may agree to provide a favorable reference. But these proposals may be quickly discarded when the employee makes disparaging statements or files a lawsuit.

Most courts extend the anti-retaliation protections of equal-employment-opportunity law to former as well as current employees. As a result, if you offer office privileges and a positive reference and then rescind your offer because the employee becomes disruptive or threatens to file a complaint with the Equal Employment Opportunity Commission, you may be found to have engaged in unlawful reprisal.

To avoid this problem, you should be prudent in making offers of assistance, and, where possible, condition any offers you may make on the employee's willingness to behave in a cooperative manner.

Even if all of the above suggestions are followed, discharging an employee is never going to be easy. Expectations on both sides of the table have been dashed, a significant investment has been lost, and personal sentiments may be very strong.

But if an employer reaches an honest conclusion that a relationship is not working and is able to communicate the reasons for that decision in straightforward and respectful terms, both employer and employee may emerge feeling that a positive step has been taken. And that is the key to avoiding legal liability in today's challenging climate. NB

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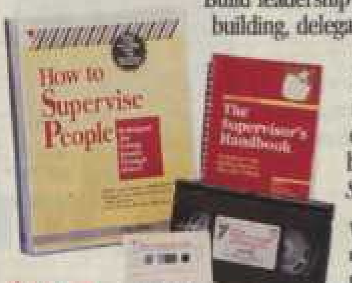

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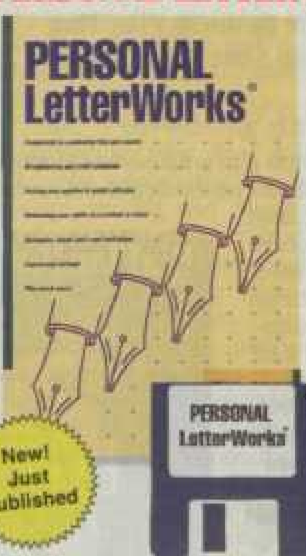

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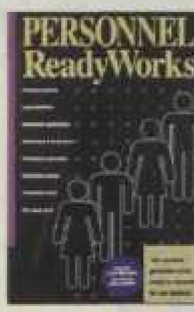

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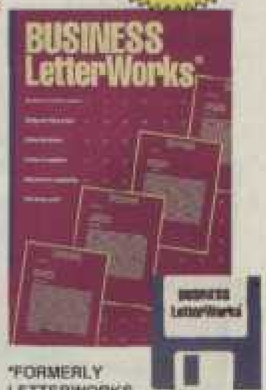

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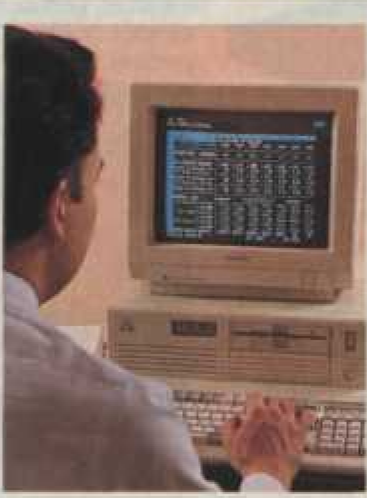

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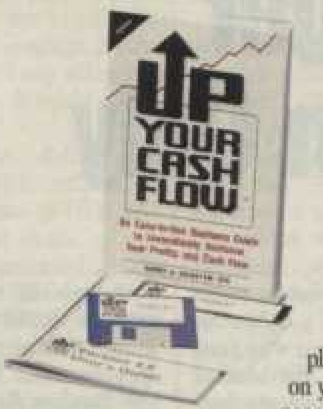

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ENTREPRENEURSHIP

No Longer For Men Only

Women business owners increasingly are moving into fields traditionally dominated by males.

By Sharon Nelton

The founder of an automobile parts business. The owner of a construction firm. An entrepreneur who runs an ambulance company. The head of a trucking company that transports hazardous waste.

Who comes to mind when you think of these business owners? Some rough-and-tumble guys? Sorry. The owners of these companies are women.

The movement of women into male-dominated fields as employees has long been noted. Less obvious but increasingly prevalent is the emergence of women business owners in areas that have traditionally been the province of men, from construction to supermarket chains to meat packing and tire manufacturing.

"They are superb at turning around heavy-manufacturing companies and selling them at a profit," says A. David Silver, president of a Santa Fe, N.M., financial services company and author of *Enterprising Women: Lessons From the 100 Greatest Entrepreneurs of Our Day* (AMACOM, $21.95). "They seem to have a level of courage—which may be the lack of fear, the lack of experience—so they wade right into these troubled companies and just fix them."

Although women-owned businesses are still concentrated in services and retailing, that's true of all businesses. From 1980 to 1990, however, according to the U.S. Small Business Administration, women's share of the sole proprietorships in the category of agriculture, forestry, and fishing rose from 10 percent to more than 17 percent. While women owned 6 percent of the sole proprietorships in mining, construction, and manufacturing in 1980, they owned more than 9 percent 10 years later. In the same period, women's ownership of sole proprietorships in transportation, communications, and public utilities grew to 14.6 percent from 6.3 percent.

Women still own only 2 percent of the nation's 19,000 new-car and truck dealerships, according to Donna Reichle, a spokeswoman for the National Automobile Dealers Association, in McLean, Va. She notes, however, that when NADA launched its Dealer Candidate Academy in 1979, there were no women students, while for the past three years, 20 percent of graduates have been women. Seventy-five percent of all graduates become dealers or dealership managers.

PHOTO: T. MICHAEL KEZA

Ambulance-service founder *Victoria Rosellini had to overcome stereotypes about women to make her company a success.*

"We are going to see that impact on the number of female dealers eventually," Reichle says. "I don't know when, but the numbers will rise."

While the reception of women-owned companies in male-dominated industries is improving, the women pioneers who have launched such businesses say doing so is tough. Perhaps the hardest part is gaining credibility. "You have to prove yourself maybe five times more [than a man], and after you prove yourself five times more, you're only equal," says Barbara Kavovit, 28, the founder of Stand-Ins Corp., a Mount Vernon, N.Y., commercial construction company.

Women in nontraditional fields find they have to overcome a multitude of stereotypes and misperceptions. When she got into the ambulance business 16 years ago, says Victoria Rosellini of Baltimore, potential clients thought that she couldn't do the heavy lifting required by the field or wouldn't have the mechanical knowledge to keep her vehicles on the road. But she proved them wrong. Today, her Absolute-Care Ambulance Service Inc. and a new company, Absolute Life Support, employ more than 70 full-time and part-time workers and bring in nearly $3 million in annual sales.

Arden Haddox, a former sixth-grade teacher who in 1984 founded a company that rebuilds automobile rack-and-pinion steering assemblies, found that many of the men she dealt with would sigh and roll their eyes, signaling their feelings that she couldn't possibly know what she was talking about. But she uses a method to convince them quickly that she does. "I purposely talk over their heads a lot of the time," says Haddox, whose 50-employee company, AAR (for Automotive After-market Remanufacturers Inc.), is located in North Ridgeville, Ohio, near Cleveland.

Although they say they can't prove it, some women believe they have been prevented from getting business because of their gender. On some occasions, says builder Kavovit, even when all the variables were the same—qualifications, length of time in business, capital, and proximity to a building site—"I was not even given an opportunity to bid a job, let alone be awarded the contract."

Frequently, it's the "good old boys network"—that circle of long-established

business owners in any community—that keeps women, along with minorities, out of the process. The good old boys are more comfortable with one another and award business to one another, the women say. And that's why some say affirmative-action initiatives have been so valuable.

A year after affirmative action was introduced into Chicago's procurement process eight years ago, Robin Wold, founder of Robin's Food Distribution, landed her first city job, a $150,000-a-year contract with Chicago's drug and alcohol rehabilitation center.

Affirmative action does not give a woman or a minority-group member special treatment, Wold emphasizes. On her contracts with the city, she says, "I always won because I was the low bidder. But affirmative action gave me the opportunity to get on the list of vendors and bid." Wold's company had sales of $11.5 million last year.

Rosellini enlisted the aid of U.S. Rep. Helen Delich Bentley, R-Md., when she found herself shut out of the bidding process. With Bentley's help, she won the right—for herself and for other women business owners—to be classified as a minority so she could qualify when Baltimore asked for bids on minority contracts. Rosellini's persistence was part of the reason she was named a state honoree in the 1993 Blue Chip Enterprise Initiative. The program, sponsored by Connecticut Mutual Life Insurance Co., *Nation's Business*, and the U.S. Chamber of Commerce, recognizes businesses that have overcome adversity and emerged stronger.

Despite the roadblocks, female entrepreneurs say that bringing a woman's touch to a male-dominated field gives them a competitive edge. For example, Rosellini thinks her ambulance companies get repeat business because she and her employees are more sensitive to patient needs than her male-owned competitors—covering a patient's head if it's raining, for example, or taking extra care to move patients up and down steps properly so they don't fall forward or become frightened.

Likewise, Barbara Kavovit contends that "women are much more detail-oriented than men are"—a plus in the construction field, where, she says, "you have to be there from the concept to the completion, and if you don't pay attention to every aspect of the job, it could really fall from underneath you."

Kavovit's attention to detail has brought her company $3.5 million in annual sales and such clients as IBM and the Pathmark supermarket chain.

Women enter male-dominated fields from a variety of directions. Wold grew up in the food business—her father owned a combination delicatessen and grocery store.

Haddox says she always liked automobiles and the challenge of mechanical things. "My friends from college say that they can see where I should have been an engineer," she says.

PHOTO: SMKE STEINBERG—BLACK STAR

A love of automobiles *led Arden Haddox, once a teacher, to launch a company that rebuilds steering assemblies.*

If you are a woman entrepreneur new to a male-dominated industry or a woman thinking of going into business in such a field, your predecessors have some advice about coping with the obstacles:

Know your stuff. Once men find out she knows what she is talking about, says Arden Haddox, "there's acceptance." Kavovit, who had a bachelor's degree in finance but no background in construction when she started her business at age 23, took courses in all phases of construction, from carpentry to estimating to blueprint reading.

Don't take offense. If men slight you because you're a woman, don't take it personally, women business owners say.

"If you worry about whether people like you, you won't make it in business," says Sandra Clark, a Warren, Ohio, entrepreneur. "You've got to know where you're going and who you are and have a real good sense of self or you'll get real confused." Her companies, Autumn Industries, a trucking firm that transports hazardous waste, and Autumn Technical Services, which does hazardous-waste cleanup and disposal, bring in $15 million annually.

Set the tone. Occasionally, women business owners have trouble with male employees who don't want to take direction from a woman. Instead of trying to get her point across by yelling, says Kavovit, she takes a low-key approach, saying, "OK, we have a problem here. How are we going to resolve it?" Then the employee doesn't see her as a threat and responds to her in the same low-key fashion. "I set the tone of how the conversation will be and usually [the conflict] can be resolved."

Surprise them. Haddox says that when customers tour her automotive-service company, they often expect to see a greasy repair shop. Instead, they find a squeaky-clean plant organized into well-functioning departments. "They're very amazed," she says, and she attributes their amazement to the fact that hers is a female-owned business. "They don't think I could have generated the business that it is today, I think." What they see, however, gives them confidence in Haddox's company.

Develop your self-confidence. Being in a male-dominated field can be extra stressful, says Kavovit, and "you have to build yourself up—your inner self and your outer self." You should learn everything you can about your business, she advises, and "join all the networking groups you can because that's the biggest support you can have—where you can meet people and try to get some business and learn your product."

Adopt sound business practices. Like successful male entrepreneurs, you need to follow good practices in order to survive and grow. This includes having a business plan, doing strategic planning, and having integrity, women business owners say.

And finally, says Robin Wold, don't present yourself as a victim. "It's harder to break into fields that are male-dominated than to break into others, but I don't consider myself a victim," she says. "I just want the opportunity and the doors open so that I can prove myself as a business person." NB

TECHNOLOGY

Hitching A Ride Into Cyberspace

Online services can link your company to an exciting world of marketing opportunities, financial data, and electronic chitchat.

By Rosalind Resnick

Ted Kraus, 48, devoted his career to managing commercial real estate, but now, thanks to the high-tech magic of computers and modems, he is on the cutting edge of electronic publishing.

Rupert Murdoch he's not. But Kraus, president of TKO Real Estate Advisory Group, in Mercerville, N.J., recently started an electronic listing service for real-estate professionals on the Internet, a fast-growing global computer network that has attracted 20 million users.

Kraus, who employs 22 people, was already publishing a national real-estate newsletter and directory, but the listing service on the Internet goes further. It allows real-estate professionals anywhere in the country to post offers to buy and sell commercial and residential properties. Close to 400 people have signed up for the listing service, Kraus says.

As Kraus points out, no one knows for sure how online services will evolve, but he is convinced they are tools worth mastering. "I'm not smart, but I can learn," he says.

Welcome to cyberspace, where small businesses can compete on an equal footing with corporate giants. Thanks to the growing popularity of computers and modems, which allow the sending and receiving of information over telephone lines, millions of business people are tapping into marketing opportunities, financial data, and interactive services without leaving their chairs.

By dialing up mass-market online services such as Prodigy and CompuServe or business-oriented services such as Dialog, Data-Star, and Dow Jones News/Retrieval, computer users can quickly and affordably access the latest market data, trademark filings, and stock quotes; shop for office equipment and supplies; get free technical support from leading hardware and software vendors; and even book a flight to Tokyo.

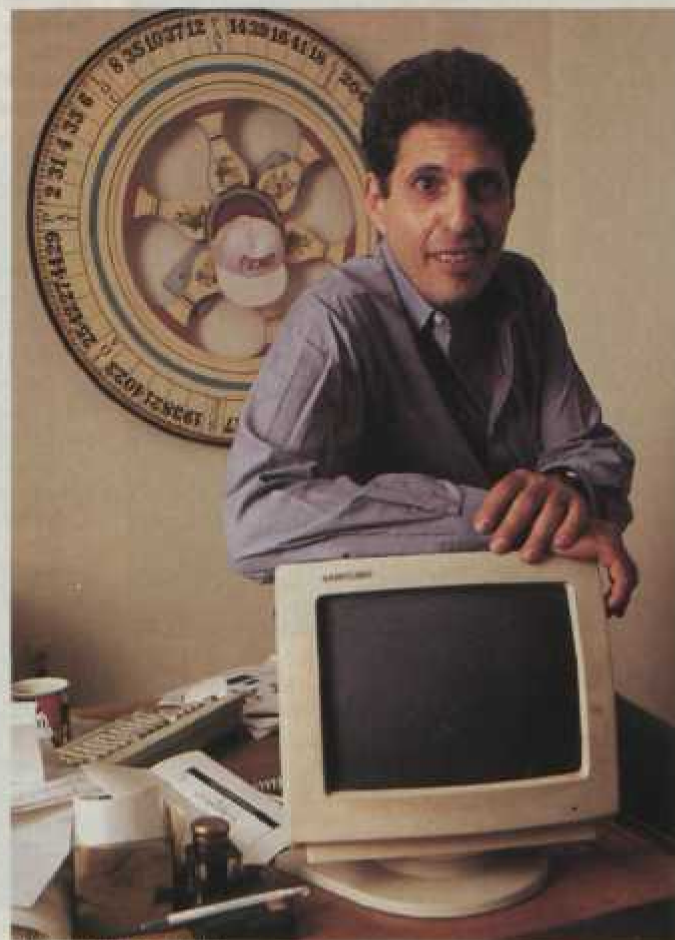

PHOTO: LEAL DIMARCO—BLACK STAR

Ted Kraus *expanded his reach to buyers and sellers of real estate with a listing service on the Internet.*

Like Kraus, other small businesses are discovering the Internet, a government-spawned computer network that was once the exclusive domain of academics and government researchers. More recently, it has begun opening its doors to business users and has emerged as the prototype of the information superhighway.

For small-business users, the Internet's big draw is "free" electronic mail; once a commercial Internet-services provider connects you to the network for a basic fee—about $20 for small companies—there are no additional per-minute or per-message charges like those charged by CompuServe, MCI Mail, and other commercial networks.

For the flat fee, small businesses can tap into the Internet's global community of electronic-mail users to swap messages, make contacts, market products, search data bases, and engage in chat sessions. As a result, traffic on the Internet is growing at a rate of 15 percent a month; roughly half of the network's more than 20 million users worldwide are commercial accounts.

"Small-business owners must dump the impression that the Internet is an academic service and that they're interlopers," says Michael Strangelove, editor and publisher of *The Internet Business Journal*, in Ottawa, Ontario. "To my mind, the Internet is the small-business user's most powerful secret weapon, but it won't be a secret for long."

For all its many marvels, however, the Internet is still not quite ready for broad marketing. Unlike commercial online services such as Prodigy, CompuServe, and America Online, the Internet has no 800 number to call for a starter kit, no technical support staff to consult when problems or questions arise.

What's more, Internet computers "talk" to each other in UNIX, a computer operating system with which most computer users have only a glancing familiarity. Imagine New York City without street signs, and you begin to get an idea of what it's like to journey through the Internet if you don't know what you're doing. Nonetheless, for small-business owners, the online world can be a veritable gold mine.

Services other than the Internet are more user-friendly, which is part of the reason for their growth. Five years ago, fewer than 1 million Americans subscribed to commercial online services. Today, Prodigy, the IBM-Sears venture that is the nation's largest online service,

Rosalind Resnick is the author of Exploring the World of Online Services *(Sybex, 1993), a beginner's guide for small businesses. She is also the author of the forthcoming* Internet Business Guide: Riding the Information Superhighway to Profit, *to be published by Prentice Hall this summer.*

has more than 2 million users. Together, the nation's five largest commercial online services—Prodigy, CompuServe, GEnie, America Online, and Delphi—have more than 4 million subscribers. Most of them are personal-computer users who log on to a network for everything from sending electronic mail to managing their investments and businesses.

By 1997, close to 10 million people nationwide will subscribe to commercial online services, according to forecasts by SIMBA Information/Communications Trends, a Wilton, Conn., market-research firm. And that's not counting the millions of people joining the Internet.

For small businesses, the electronic information explosion couldn't have come at a better time. Not only are more and more business-related data coming on stream every day but also several of the major commercial online services—namely, CompuServe, Prodigy, and America Online—have released software programs that run in Microsoft's Windows environment and make their systems much easier to navigate. Windows interfaces for the Internet are becoming available, too.

"Going online gives me the key 24 hours a day to the world's largest library," says Pete Silver, a Miami publicist and CompuServe subscriber. "It also gives me the ability to communicate my message without spending significant amounts of money to reach a highly qualified group of prospects and to do this literally in minutes."

The most popular use of online services—both for business and individual computer users—is online communications, primarily the ability to send and receive messages. An electronic mailing is often cheaper than a long-distance phone call, a fax, or a postage stamp. What's more, online mailboxes can receive messages around the clock—even when the subscriber is not connected to the service—and the messages can be received at any time.

Sheldon Hall, an Atlanta computer consultant and software designer, uses e-mail to expedite the letters he sends overseas. Instead of printing out a paper copy and sending it through a quick-delivery courier service, he sends an electronic version of his letter to an overseas office of an online service, such as CompuServe or MCI Mail.

There, the letter is printed out, stuffed into an envelope, and sent on its way. Hall's recipients get his letter within a day or two, and Hall spends only a fraction of what he would pay to send the letter through an overnight service. "I have done deals almost exclusively through e-mail," he says.

Other entrepreneurs have had success going online to market products and services. Software Concepts, Ross Greenberg's 2½-person company in New Kingston, N.Y., has sales of more than $250,000 a year. He posts copies of his anti-virus software on local computer bulletin boards and nationwide online services such as CompuServe and GEnie. Every time a computer user retrieves a copy of a $19 Flu-Shot program and registers the transaction with Greenberg, the company earns $15. "I can take a program like Flu-Shot and stick it on two dozen bulletin boards for the cost of a phone call," Greenberg says. "Pick the right places, and my code is spread throughout the online world in a few weeks, where it has an infinite shelf life."

While the Internet's not-for-profit culture discourages advertising, an informal shop-at-home network has evolved where booksellers, software retailers, florists, and novelty-gift sellers provide product information for network users who look for it. Businesses like these encourage customers to browse electronic catalogs and place orders online.

Today's Internet merchants include the Electronic Newsstand, an online magazine rack that sells subscriptions to *The New Republic*, *Mother Jones*, *Wired*, and other publications; McCrerey Farm of Pennsylvania, which sells dolls, Santas, handcrafted traditional gifts, natural fibers, and craft supplies; and Planet Earth Management, a company that sells concert packages complete with hotel reservations and tickets to rock groups like the Rolling Stones and Pink Floyd.

Online networking is another popular feature. Though most commercial online services prohibit direct advertising and customer solicitation on their bulletin boards (unless the advertiser pays to place an online classified ad), networking among vendors, employers, customers, colleagues, and employees is encouraged.

By going online, a management consultant in, say, Tampa, Fla., can speed his résumé to a promising prospect in Seattle, or show off his expertise in a real-time conference. Though it lacks some of the immediacy of face-to-face networking at a cocktail party or a trade show, a growing number of business owners insist it's the

Online Computer Buzzwords

Here are some terms you're likely to come across in exploring online data services:

Bulletin Board System: A bulletin board system (often called a BBS) is similar to an online service but is usually much more limited. At last count, there were more than 50,000 bulletin boards nationwide, most of them run by hobbyists who offer electronic mail (e-mail), file-transfer capabilities, and free or low-cost software programs free of connect-time charges.

Online services such as Prodigy and CompuServe offer bulletin boards, too, on a wide variety of personal, professional, and computing topics.

Communications Software: Just as you need a word-processing program to type a letter and a spreadsheet program to track your accounts receivable, you need special communications software to use your modem.

Almost all leading programs have two features: an automated dialing directory similar to the speed dial on your telephone, and the ability to send and receive text and data files (known in the online world as uploading and downloading).

Some programs are multipurpose, allowing you to dial up any number of online services and electronic bulletin boards; others are front-end programs that make it easier to dial up and navigate a specific online service.

Modem: Like a foreign-language translator, a modem is a device that converts the digital 0's and 1's produced by your computer into analog sound waves capable of being carried over conventional phone lines. In the world of high-tech electronics, computer-to-telephone translation is called modulation, while telephone-to-computer translation is called demodulation. Thus, the name modem was derived.

Modems come in two varieties: internal modems, which attach to a card inside your personal computer, and external modems, which plug into the computer's serial port.

Online Service: Online services offer a gateway to the world of electronic information. By dialing the service with your computer and modem, you can access online bookstores, libraries, newspapers, encyclopedias, bulletin boards, clipping services, department stores, travel agencies, and banking services.

You can also send electronic messages and data to people thousands of miles away for the cost of a local phone call. And, unlike stores and libraries, which close in the evening, online services are always open.

Real Time: Time when you are engaged in an actual conversation, but you are talking electronically with someone via a modem rather than face to face.

next best thing to being there—and far less costly.

"Several years ago, I posted an article called '10 Most Common Marketing Mistakes' on CompuServe's Working From Home Forum," says Silver, the Miami publicist. "A small-business owner in New York City read my article, called my 800 number to ask some questions, and ended up hiring me as a consultant."

Other small-business owners go online to tap into electronic data bases and ferret out up-to-date business information that, until recently, was difficult to find and frustratingly slow to retrieve. Determining which part of the country buys the most candy bars, for example, could take weeks—not to mention dozens of costly long-distance phone calls. These days, there is an online data base somewhere that contains information on everything from the number of Big Macs sold last year in Tulsa to the market for satellite dishes in Uruguay.

Some information hunters have even turned their online savvy into successful businesses. Reva Basch, owner of home-based Aubergine Information Services, in Berkeley, Calif., has gone online to research everything from patents on quick-release electric plugs to legal research on cases involving herpes transmission. Susan Caldwell, co-founder of BioInformation Resources, which has offices in Atherton, Calif., and Miami, turns the medical data she uncovers into written reports that enable her clients to make intelligent decisions about their lives and businesses.

PHOTO: ©TOM SOBOLIK—BLACK STAR

Anti-virus software *from Ross Greenberg is marketed online and on local computer bulletin boards.*

Despite the many advantages of online services, they're not yet a fixture in offices and factories. While roughly one-third of all adults in the United States use a computer at work, home, or school and the number of personal computers worldwide has rocketed past 100 million, most businesses continue to rely on the communications and information-gathering methods of the past. Though the technology is available, postal mail remains more common than e-mail, and fax machines are still more popular than modems.

Technological barriers is one reason. Personal computers and modems can still be confusing for computer novices to use, especially for those who grew up in the days before the PC revolution. In addition, most business people prefer to communicate in person or by phone rather than by sending electronic messages or participating in a real-time conference.

Even so, e-mail addresses are popping up on business cards, and futurists envision the day when electronic networking, marketing, investing, conferencing, and messaging will become as common as face-to-face staff meetings, business lunches, trade shows, and office parties are now.

And while it may be years before dialing up an online service becomes as commonplace as dialing a phone, the trend is clear: The competitive edge will belong to those businesses prepared to log on, tap in, and reach out. NB

To order a reprint of this story, see Page 80. For a fax copy, see Page 5.

Some Major Online Services

Here are some of the available on-line computer services:

America Online: The cost is $9.95 a month, which includes five hours of use; after that, time is billed at $3.50 an hour. Write or call America Online, 8619 Westwood Center Drive, Vienna, Va. 22182; 1-800-827-6364.

CompuServe: CompuServe charges a flat fee, plus hourly charges based on modem speed, which is measured in bits per second. The basic charge is a $2.50 monthly membership fee, plus $6.30 an hour for 300 bits per second (bps) access, $12.80 an hour for 1200 and 2400 bps access, or $22.80 an hour for 9600 bps access under a pay-as-you-go plan. A flat fee of $8.95 a month also gives a user access to basic services such as news reports and travel reservations, an ability to send the equivalent of up to 60 three-page messages a month, and use of specialized bulletin boards at reduced hourly rates. Write or call CompuServe Information Service, 5000 Arlington Centre Blvd., P.O. Box 20212, Columbus, Ohio 43220; 1-800-848-8199.

Delphi: Under Delphi's 20/20 Advantage Plan, subscribers pay $20 a month (plus a $19 one-time enrollment fee) for 20 hours of use. Delphi's 10/4 Plan charges a $10 monthly fee for the first four hours of evening and weekend use and includes free access to billing information, help files, and other support services; additional service-use time costs $4 an hour. Delphi, the only major commercial online service that offers both a gateway to Internet mail plus access to Internet data bases and file-transfer capabilities, offers unlimited Internet access for an extra $3 a month. Contact Delphi Internet Services, 1030 Massachusetts Ave., Cambridge, Mass. 02138; 1-800-695-4005.

GEnie: GEnie's basic membership fee is $8.95 a month, which includes four hours of access to GEnie services such as e-mail, software downloads, bulletin boards, and real-time chat lines, plus a connect-time charge of $3 an hour for any additional time online. There is also a prime-time surcharge of $9.50 to $12 an hour for access to the service during weekday business hours and a surcharge of $6 to $8 an hour for 9600 bps access. Write or call General Electric Information Service (GEnie), 401 N. Washington St., Rockville, Md. 20850; 1-800-638-9636.

Prodigy: The online service's Value Plan costs $14.95 a month and includes unlimited access to the service's "core" features, as well as two hours of "plus" features, such as bulletin boards and the ability to send as many as 30 messages; additional use of "plus" features costs $3.60 an hour. Prodigy's Alternate Plan costs $7.95 a month, which includes two hours of "core" and "plus" features, and an extra $3.60 an hour for any additional time spent online. Write or call Prodigy Interactive Personal Service, 445 Hamilton Ave., White Plains, N.Y. 10601; 1-800-284-5933.

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OBSERVATIONS

For Happier Endings, Mediate

By Sharon Nelton

Earlier this year, a court in Washington, D.C., appointed an independent mediator to help resolve bitter conflicts among members of the litigious Haft family, whose business empire includes Crown Books, Trak Auto, and Shoppers Food Warehouse.

For the Hafts, mediation, which resulted in a settlement, was a last-ditch approach that was imposed upon them. But professionals increasingly are urging business families to seek mediation voluntarily, long before litigation, when they cannot resolve disputes themselves.

"Mediation is the wave of the future," says Joseph S. Hellman, senior partner and chair of the alternative dispute resolution department at the New York City law firm of Kronish, Lieb, Weiner & Hellman.

In mediation, a neutral, outside person "joins the discussions to help the parties determine their own solution," according to John S. Powell, a certified mediator and director of the North Carolina Family Business Forum. Mediation, he says, "focuses on the future and tries to protect the relationships between the parties after the dispute has been settled."

Mediation is cooperative rather than adversarial, say its proponents. It is much cheaper than litigation, and, because mediation brings the parties themselves together (and not just their lawyers), quicker settlements often result.

Mediation helps the parties get at the real problems, says Powell. In one case, he says, the stated issue was the failure of a family business to pay adequate dividends. But the real, hidden issue was the anger one man felt toward the perceived failure of his brother, the company's president, to help look after their aging mother. "The argument could only be settled after the real issue was identified and dealt with," says Powell.

"A lot of psychic needs get filled in a mediation," says Hellman. These include needs to be heard, to have some respect, and to have your position weighed and considered, whether it's ultimately accepted or not, he says.

And finally, mediation is strictly confidential—unlike lawsuits and court proceedings, which are public. The Hafts quietly reached a settlement just a week before the dispute was to go to trial—one that was expected to be a media circus.

A number of professionals, including lawyers, psychologists, and family-business consultants, provide mediation services. Look under Mediation Services in your Yellow Pages, or call the Family Firm Institute at (617) 738-1591 for its *1994 Directory of Consultants and Speakers.*

One of the 35 regional chapters of the American Arbitration Association can assist you with referrals, or you can call the national office at (212) 484-4000. Look for someone who is trained in mediation and who understands both family dynamics and business.

For a detailed discussion of the mediation process, you can obtain a free copy of "Using Mediation To Settle Family Disputes," an article by John S. Powell. Write or call Powell at the North Carolina Family Business Forum, P.O. Box 2888, Burlington, N.C. 27216; (910) 226-1380.

The "most wonderful" thing about mediation, says Hellman, is that at the end, people are happy. "Whatever happens in a mediation, it's something they've agreed to. It's theirs." With a lawsuit, he says, "you've turned control over to somebody else." ■

PLANNING

Set Policies Now To Solve Future Problems

By Craig E. Aronoff and John L. Ward

If there was just one thing you could tell a family in business to help it achieve success down through the generations, what would it be? We believe something a family-business owner told us recently sums it up very well: "I've learned that successful family businesses do a good job of anticipating future issues and talking about how to deal with them as a family *before* they become issues."

In our experience, some of the thorniest policy issues that family businesses have to deal with include the divorce of a family member, alcoholism and drug abuse, unethical conduct, affairs of family members with employees, a break in trust or confidence, the loss of rationality of a family member, moral differences, and poor work performance.

Discussing these and other potential issues in family meetings offers several benefits. First, agreeing on solutions to problems in advance helps prevent family members from taking issues personally; decisions can be more objective. Second, family communication and problem-solving skills are strengthened.

One way to deal with potential problems is to develop a set of family-business policies to guide future decisions and actions in a variety of areas. Here are some ideas that we've found effective in

PHOTO: T. MICHAEL KEZA

John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.

the experiences of families we've known and worked with:

Employment. Families that emphasize that family members should prepare themselves through education and experience to make a real contribution to the business seem to find greater harmony and success. Many families also develop policies with regard to in-laws working in the business and concerning part-time employment.

Retirement. Having a date for the older generation's retirement established well in advance makes succession planning more constructive and less emotional. Setting a date also helps assure financial security and paves the way for fulfilling new interests for the senior generation.

Compensation. Open, explicit compensation arrangements are very helpful—they tell family members what they can expect and what is expected of them. Compensation policies often address benefits, perks, and time off, too.

Dividends. Develop a formula for dividend payouts or family profit distributions that depend on the level of profits. Family members need to know the amount and variability of dividend income.

Company Loans. Many families discourage borrowing from the business. Even permitting the pledging of stock to get a bank loan can be troublesome for a family firm.

Stock Redemptions. Agreements on how family members can sell stock, if they wish, is important. Redemption eligibility can depend on company profitability. Everyone needs to understand how shares will be valued in the future.

Ownership Rights And Responsibilities. Many families formally state how family shareholders can learn about the business and whom they can contact in the company for information. They are clear about what issues will come to shareholders' attention. Family members agree on what preparation and homework is expected of all.

Ethics. Consider possible conflicts of interest. What if the company receives gifts from suppliers? What activities are appropriate for company expense accounts? To what extent does the family firm do business with other companies owned by family members?

Family Behavior. Family members agree on how they will treat one another and deal with conflict. For example, family members can agree to support one another in public, to speak positively of one another to spouses, and to issue no ultimatums to one another.

Publicity. Some families choose privacy or a low profile. Some favor no single-person feature stories, preferring any publicity to refer to the family and to its accomplishments as a team.

ILLUSTRATION: DAVID CHEN

Family Members In Need. Families can determine how much and under what circumstances to provide financial support to someone in need.

For every family policy statement we've seen, we've seen another that is almost the opposite. We've seen virtually every type of approach succeed—and every type fail. When one approach doesn't work, the family can adjust the policy. What matters is the process of working through and building consensus.

More important than agreement is the discussion itself. The practice of addressing difficult areas and coming up with ways for the family to solve problems together is what really makes for long-lasting family businesses.

Many families carefully collect their family-business policies into a single document—a family charter—and then review it annually. That keeps family agreements meaningful and fresh while helping family members develop good personal skills for group problem solving.

If we were to identify the one characteristic of family businesses that lack success, we would again quote a family-business leader, who said: "Unsuccessful families in business seem to want to avoid problems or conflict. They put their heads in the sand. That's too bad, because then not only is the business threatened, but the family misses the chance to have the fun of learning things together."

In previous columns in *Nation's Business*, we have explored some of the above topics in great detail. If you're interested in any particular policy area, write us or call us in care of Craig Aronoff at the Family Business Forum, Kennesaw State College, P.O. Box 444, Marietta, Ga. 30061; (404) 423-6045.

MARK YOUR CALENDAR

July 12, Philadelphia

"Tax-Free Wealth Transfer and Asset Protection" is a daylong conference for family businesses worth more than $2 million. To be repeated in Chicago, Atlanta, St. Louis, and other cities. For dates, call the National Center for Family Business at 1-800-598-6404.

July 17-29, Evanston, Ill.

"Managing the Closely Held Company in Changing Times" is an executive-education program for owner-managers of companies with 50 or more employees or sales of $5 million to $500 million. Call Executive Programs, J.L. Kellogg Graduate School of Management, Northwestern University, at (708) 467-7000.

Sept 13, Goshen, Ind.

"Gender Roles in Family Business" is a seminar featuring Cynthia Iannarelli, director of the National Education Center for Women in Business. Call Leonard Geiser, director of the Goshen College Family Business Program, at (219) 535-7451.

Sept. 13, Oak Brook, Ill.

"Incentives in the Family Business: Is Money What It's All About?" is a program for family-business owners, successors, and spouses. Call Karen Wilger, Midwest Association of Family Business Owners, (708) 495-8900.

Oct. 5-8, Scottsdale, Ariz.

"Challenging Assumptions" is the theme of the annual conference of the Family Firm Institute, an association of family-business owners and professionals. Call Lenny Fogel, the institute's marketing director, at (617) 738-1591.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

CASE STUDY

At Odds With The Business—And Her In-Laws

Bob Miller is torn by a growing rift between his wife, Carol, and his three sisters. Bob, 55, and Carol, 51, are owners of Miller's Gifts, a small retail chain. They bought the original shop from Bob's mother and then, under Bob's leadership, expanded to four more locations. Bob is the chief executive officer, and Carol, as executive vice president, fills in wherever she is needed. Bob's sisters work for the company; two are store managers, and the third is chief financial officer.

When the business expanded rapidly, debt built up quickly, and little money was set aside for hard times. Then, just as the recession hit, Bob had a heart attack. His sisters became very protective of their brother, not wanting him to worry about money or time. "Carol and I took a lot of time off so I could avoid the stress of running the business," Bob recalls.

In the years since, the family members have cut back on bonuses and benefits, and Bob's sisters have increased their workload so that Bob can continue to be healthy. "I'm really lucky to have such devoted and hard-working sisters," he says. Carol, however, tells him his sisters make the business their whole life, "something I would never want to do," she says.

In fact, Carol has budgeted her money for a trip to Paris to visit a friend. She feels the business is no longer so bad off. But Bob knows his sisters resent Carol's plans. "They complain that she doesn't understand her role as an owner," he says. He wonders what he can do to make Carol more responsive to his sisters' complaints and the needs of the business.

ILLUSTRATION: DAVID CHEN

Confront Two Primary Issues

There are two primary issues here: the confusion surrounding Carol's role and the one involving the continued protection of Bob several years after his illness. Until both issues are confronted, the resentment and discord are likely to continue.

Questions for Bob and his family to consider include: Does Carol understand what is involved in running Miller's Gifts? Is she an owner, an operator, or both? Is Bob's health still an issue, or is he being overprotected by his siblings? Are his sisters content to continue working long hours?

The challenges within this family business can be addressed by using a technique called "accountability charting." This process calls for several meetings where family members, with the help of a facilitator such as a family-business consultant, identify the key responsibilities involved in running the business. Then, based on their individual abilities and interests, responsibilities are divided among family members. Through dialogue, Carol could be confronted and her role defined, and Bob's health and future could be discussed.

Accountability charting offers many benefits. First, Bob can increase responsibilities as his health improves or can begin succession planning. Second, Carol learns what is involved in running the business and receives her share of the responsibilities. If she chooses a lesser role, compensation should be altered accordingly. Third, Bob's sisters can redefine their roles—they may not want to make the business their whole lives. Finally, family members' tendency to "keep score" will be reduced.

Clarifying roles and responsibilities will help establish a framework for addressing situations like Carol's and events like Bob's heart attack.

PHOTO: SUDE TRAVER

William "Chip" Valutis, a psychologist and president of Family & Business Directions, Inc., in Williamsville, N.Y.

Individual Goals Are Important, Also

At first glance, Carol's vacation plans appear to reflect a selfish disregard for the business. On closer examination, however, her trip may be a reminder that a family business is composed not only of a business system and a family system but also of individuals within the family.

To remain vital, a family business must have ongoing communication regarding the goals of the business, the goals of the family, and the goals of each individual family member. If Carol believes that she does not want to make the family business her life, that must be brought out in the open and discussed by the entire group. Perhaps this family has been so focused on keeping the business going that members have lost sight of planning for themselves and for the business.

Bob would be wise to bring in a family-business consultant to assist the Millers in holding a family council meeting. The meeting should enable family-business members to address such questions as the following:

Where do we each see the business in five years? How do we each see our involvement? If something happens to Bob, does Carol want to own the business by herself? If not, what are the alternatives?

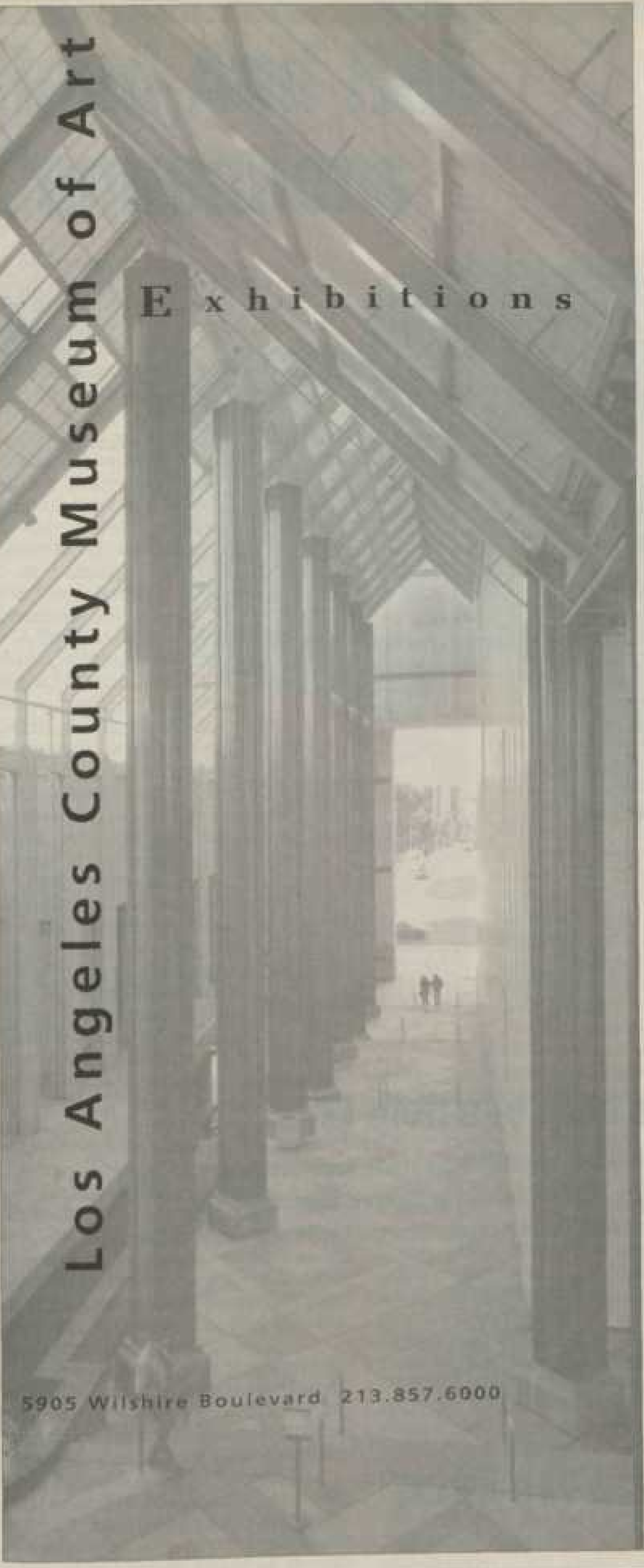
Do we envision our children coming into the business? Can a formula be developed to adjust compensation for individual family members based on their time commitment to work?

If the consultant creates the context for the Millers to begin group discussions, regularly scheduled family-council meetings can continue without outside help. The topics for discussion may change, depending on current problems and success. What remains the same will be the opportunity for each family member to share hopes and plans for the business—for the family as a whole and for the individual.

PHOTO: SKEN TOUCHTON

Patricia Cole, visiting assistant professor and director of the Institute for Family and Business at Nova Southeastern University in Fort Lauderdale, Fla.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute. Identities are changed to protect family privacy. This month's editor is Robert Cottor, M.D., a consulting partner in the Family-Business Roundtable, Inc., in Phoenix. The authors' opinions do not necessarily reflect the views of the institute. **Copyright © by the Family Firm Institute, Brookline, Mass.**



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Peter Shelton: bottlesbonesandthingsgetwet
March 3 through May 15

Gronk: A Living Survey, 1973-1993
March 17 through May 15

In Celebration: Fifteen Years of Collecting Costumes and Textiles (1979-1994)
March 31 through July 17

Spanish Polychrome Sculpture (1500-1800) from North American Collections
April 21 through June 26

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April 28 through July 10

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May 19 through August 21

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Mike Kelley
June 30 through September 11

A Graphic Odyssey: Romare Bearden as Printmaker
July 14 through September 11

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TRANSPORTATION

Road And Rail Connections

Using a combination of transportation modes helps cost-conscious manufacturers deliver the goods for less.

By Julie Candler

Intermodal shipping can be useful to companies of any size that are seeking economical ways to reach distant points and expand their marketing and distribution areas.

The service is called intermodal because it uses multiple modes of transportation—highway, air, water, rail—to complete a single long-distance movement of freight. The savings that can be achieved, no doubt, are at least partially responsible for the increasing use of intermodal shipping.

A familiar form of intermodal shipping was introduced in the late 1950s, when trucking companies began placing loaded trailers piggyback-style on railroad flat cars. Eventually, the industry began using special containers that are lifted onto railroad cars, trucks, or steamships.

Right now, intermodal transportation accounts for about 15 percent of trailerload shipments moving 500 miles or more, according to the Newport Communications Group, an Irvine, Calif., publisher of trucking and other trade journals. Services that specialize in intermodal shipping are known as intermodal marketing companies. Many of them accept only fully loaded trailers or containers for shipment.

Some shipping companies, however, are flexible enough to handle smaller shipments. For example, when Fel-Pro, Inc., of Skokie, Ill., has less than a full load of gaskets and automotive replacement parts to ship by truck or rail, the manufacturing company can still turn to Clipper Exxpress, a Lemont, Ill., firm that handles partial container shipments.

Companies like Clipper Exxpress—the second "x" stands for extra service, the company says—take smaller loads and consolidate them with goods from other businesses going to the same destination via intermodal or truck shipment.

"If we don't fill their trailer," says Todd Peterson, manager of traffic-distribution planning at Fel-Pro, "they combine our shipment with others picked up through the day. They tell us that if we have it ready by a certain time, our shipment will go out on the next available train."

For shipments moving 500 miles or more, intermodal transportation is an economical alternative. The longer the trip, the bigger the savings.

To appreciate how savings can be achieved, it helps to know something about the transportation equipment. Clipper Exxpress uses trailers, containers, and overhead cranes owned by the railroads, as well as its own vehicles and those of private leasing companies. It owns a fleet of refrigerated trailers used for piggybacking perishable produce from the West Coast.

The special containers used by Clipper and other companies that provide such services can be lifted onto trucks, ships, or railroad cars. For rail shipment, the containers are often double-stacked on flat cars. Double-stacked rail shipments may be priced as much as 30 percent below comparable truckload shipments, according to a Newport Communications Group study. A Michigan fleet manager says it costs 30 to 35 percent less to ship from Chicago to Los Angeles by rail rather than by truck.

Fel-Pro uses intermodal service for about 80 percent of its shipments, according to Todd Peterson. All of the automotive parts the company ships west of the Rockies go through Clipper Exxpress, which decides if the goods will be moved by truck or by railroad.

"On less-than-truckload service, the customer pays one price whether a shipment goes by truck or intermodal," says Nancy Schor, director of planning for Clipper. The savings achieved through the use of intermodal service is factored into the price. Says Peterson of Fel-Pro: "It's easier when we have one price. We know what a shipment is going to cost."

North American Refractories, in Cleveland, says it saves $1,000 per intermodal container when it ships goods from Eastern plants to California customers. James George, manager of rates for the firm, says the company ships fire bricks for iron and steel blast furnaces in 40-foot, railroad-owned containers holding 45,000 pounds each.

The cost per container is about $2,400. George estimates that shipping a container by truck to the West Coast from Cleveland would cost about $3,400. According to businesses experienced in intermodal distribution, shipping goods less than 500 miles by this method is not practical. In general, the greater the distance, the greater the cost advantage.

The savings depend on factors such as the cost of local drayage, which refers to pickup from and delivery to rail terminals at points of origin and destination. It is not economical when drayage distances are more than 150 miles at either end.

An unusual bimodal transportation system that goes door to door serves the Hunt-Wesson Division of ConAgra, the major food company based in Omaha, Neb. Austin W. Rattigan, Hunt-Wesson's general manager for traffic and transportation, in Fullerton, Calif., uses several intermodal marketing companies, including Triple Crown Services Co., a Fort Wayne, Ind., company that operates east of the Mississippi River and in Missouri and Kansas.

Triple Crown ships freight for its clients on Road Railers, 48- and 53-foot-long truck trailers equipped with running gear for movement by both highway and rail. It takes only five minutes to convert a highway trailer into a rail boxcar. The trailer is hydraulically raised six inches and backed onto a two-axle rail "bogie," which attaches to the trailer. Once on the rails, up to 75 Road Railer cars can be pulled by engines owned by Triple Crown, Norfolk Southern Corp., of Norfolk, Va., and Conrail, of Philadelphia.

Rattigan, the Hunt-Wesson executive, says Triple Crown's services are priced reasonably.

Besides economy, intermodal transportation has other advantages. John L. Taylor, assistant professor of international marketing and logistics at Wayne State University, in Detroit, says this method of shipping reduces highway congestion, fuel consumption, pollution, and accidents.

Industry executives are split on the susceptibility of intermodal shipments to damage. "I haven't had a claim in four years on truck shipments," says James George of North American Refractories. "I have had some with the railroads."

Damage can result from slack action between railroad cars that causes back-

and-forth jostling. But rail executives say ride quality is improving.

Paul Nowicki, general director of intermodal marketing for Santa Fe Pacific, of Schaumburg, Ill., says Santa Fe and other railroads are switching to articulated flat cars. These consist of five railroad-car platforms joined permanently to eliminate jostling. "The ride quality is comparable to or better than the highway," according to Nowicki. He says 65 percent of Santa Fe's freight shipments go on articulated cars. That can save shippers money by cutting the need for special packaging to prevent damage.

A major disadvantage of intermodal shipping is that it often takes the freight longer to reach its destination. "We use intermodal whenever it can save more than $100 on the shipment," says James George of North American Refractories. "If not, it's not worth it because intermodal takes longer than by truck." That means, he points out, paying the cost of keeping inventory in stock for additional days.

Businesses like Fel-Pro, with shipments too small to fill a trailer or intermodal container, can go through freight forwarders or intermodal marketing companies.

"I think the key for a small shipper is to work with an intermodal marketing company that provides the full service," says Mark Hornung, senior vice president of ALK, in Princeton, N.J., which specializes in consultation on transportation and information technology.

"An intermodal marketing company," says Hornung, "takes responsibility for the whole shipment, whether it's via a steamship company or truck line. Using this one source can save the expense and time involved in having to arrange for all the pieces of the shipment."

"Intermodal marketing companies organize the shipment," says John Taylor of Wayne State. "They decide who is going to pick up the freight, which intermodal ramp it will move to, which railroad it will move on, and which drayage trucking company will pick it up and deliver it to the ultimate receiver."

All that is required of Consolidated Stores Corp. for shipping intermodally is to send a daily fax.

The nation's largest close-out retailer, the Columbus, Ohio, company uses Rail Van, Inc., an intermodal marketing company in the same city.

Rail Van oversees Consolidated's shipments of trailers loaded with over-runs and discontinued items—from candies to lawn equipment—to its 38 Big Lots stores in Florida.

Since early 1993, the retailer's daily faxes to Rail Van have listed shipments to go out that day. The intermodal marketing company arranges for trailers loaded by Consolidated's employees to be picked up and placed aboard railroad flat cars. When the train reaches Florida 48 hours later, Rail Van sees that the merchandise is picked up at the rail terminal and delivered on time to individual stores.

"Rail Van in effect becomes our dispatcher," says Marion Zingaro, director of transportation services for Consolidated Stores. "The work they perform saves us time. I don't have to worry about getting the trailers back because they belong to the railroads. It's a significant savings over shipping by truck, and we're looking at expanding use of this type of service." NB

Triple Crown's *Road Railer trailers are equipped with running gear for both highway and rail. At right, a driver prepares to back a trailer onto a rail "bogie." Once on the rails, below, the freight is speeded across the country.*

For More Information

Additional details on intermodal freight can be obtained by writing to George Mundell, Intermodal Association of North America, 5410 Kenilworth Ave., S-108, Riverdale, Md. 20737-1202, or by phoning the organization at (301) 864-2661.

The association's fast-growing membership roster lists 450 companies, including steamship lines, railroads, truckers, and drayage operators. About 55 are intermodal marketing companies.

To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Peter Weaver

Coping With Jet Lag


PHOTO: ©JON RILEY—FOLIO, INC.

Travelers embarking *on a long international flight should remember that what they eat and drink can have a big effect on how they will feel when they land.*

You are on a long flight from the United States to Europe, Latin America, or the Pacific Rim. You have business scheduled shortly after you arrive; or maybe you're planning to plunge into a long-anticipated vacation with your spouse.

But how can you be at your best when you have just spent six to 10 hours, or maybe more, in a confined, tightly packed, ultradry compartment? What you eat and drink during the long flight can make a difference.

"Fight the freebies," says Dr. Warren M. Levin, an expert on airborne stress who is with the World Health Medical Group, a consulting organization based in New York City. "Highly processed foods, sweets, and alcohol can make your blood sugar swing from high to low, and this makes you go from feeling great to feeling tired, washed out, and headachy," he says.

Instead, Levin advises eating a sensible meal that is low in sugar. And you should sip plenty of water to keep from becoming dehydrated in the dehumidified cabin air.

Randy Petersen, editor of *Inside Flyer* magazine, says, "I never drink alcohol on board, and I eat lightly." In addition, he says, "I bring along my own bottled [noncarbonated] mineral water because I don't want to keep ringing flight attendants to bring it to my seat." A moisturizer for skin and lips is also a good idea.

Petersen, who hops intercontinental or transcontinental flights almost every other week, says he tries to make himself comfortable by entertaining himself and selecting a seat location wisely, if possible. And he never, ever works when he flies: "I used to get my laptop out and do reports—and arrive exhausted."

Now Petersen pokes into some recreational reading material he brings along, plays electronic games on a hand-held computer, or listens to music. "I always bring my own CD or cassette player because airline stereo systems are often abysmal," he says. (Be prepared, though, for airline restrictions on the use of personal stereo systems during takeoffs and landings.)

What about seat selection? "If you are on a coach flight," Petersen says, "having a window seat by an emergency exit is great because you get a lot of leg room and people are not climbing over you all the time."

To relax and sleep, Petersen does not dress for success, he says. "No suits, no ties. Just wear a light jogging outfit and soft sports shoes or moccasins."

Flying east can disrupt sleep. Almost all airline flights to Europe depart in the evening, putting you at your destination in the morning after a fitful night of tossing and turning.

"You should book a morning flight, if you can find one," says David S. Stempler, a spokesman for the International Airline Passenger Association, in Washington, D.C., "because you arrive the same day, in the evening, and can get a good night's sleep before tackling a meeting the next morning."

American Airlines and British Airways have flights from New York to London that leave in the morning and get you there in time for dinner and bed.

There are few if any daytime flights to the United States from the Pacific Rim countries. "What I do, whenever possible, is schedule a stopover in Honolulu to decompress," Petersen says.

The State Department and a number of international corporations advise their diplomatic and business travelers not to schedule any meetings within 24 to 48 hours after they arrive in a foreign land. But this is not always possible. Your business may require that you land running and ready to go; or, if you're on vacation, you may not want to wait that long before you start sightseeing.

If that's the case, you may decide that the extra cost of traveling business class or first class is worth it because of the on-board sleeping arrangements.

Virgin Atlantic Airways offers a special Snooze Zone Service: You eat a light buffet in the club lounge before boarding and then get a sleeper seat with a comforter and pillow—and no lights, no noise, no meal carts. Just quiet. British Airways offers a similar Sleeper Service.

Whether you are flying east overnight or chasing the sun westward, you should try to exercise along the way. "Take a brisk walk around the airport before boarding, if you can," says Levin, "and get up and walk around and stretch when you're airborne. Otherwise, long hours of sitting can cause swelling of the legs and feet." NB

Peter Weaver is a free-lance writer in Washington, D.C.

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

RETAILING

An Opening In Store

I want to open a retail store, and I'd like some information before proceeding. Are there books or associations that might help me?
J.L., Minneapolis

The National Retail Federation offers a wide selection of publications, seminars, and workshops on starting a small, independent retail store. For more information, write to the organization at Liberty Place, 325 7th St., N.W., Suite 1000, Washington, D.C. 20004, or call (202) 783-7971.

The many books that provide start-up information on retailing include two that are especially noteworthy. One is *Successful Retailing* (Upstart Publishing), by Paula Wardell; the other is *. . . And It Tastes Just Like Chicken—Endless Retail Sales and Management Success* (Irwin Professional Publishing), by Gregory L. Will.

ILLUSTRATIONS: MARTHA VAUGHAN

Successful Retailing is a blueprint for the beginning retailer. Subjects covered include strategic planning and merchandising techniques, marketing and market research, goal setting and financial controls, and inventory management and data collection.

The book costs $19.95 and may be ordered from the publisher by calling (603) 749-5071; refer to ISBN No. 0-936894-56-3.

. . . And It Tastes Just Like Chicken contains practical ideas, examples, and theories on retail sales and management that are designed for immediate implementation. Included are tips on selling effectively, approaching customers, closing sales, and handling objections.

Also covered are subjects such as coping with stress, managing time, and delegating responsibility.

The book is available for $20 from the publisher at 1-800-634-3966; refer to ISBN No. 0-7863-0194-5.

SERVICES

Moving Right Along

I want to start a moving and storage business in my immediate market area. Where can I get more information about this venture?
C.E., Columbus, Ohio

Gary Frank Petty, president of the National Moving and Storage Association, in Fairfax, Va., says the moving industry is saturated. Of the 12,000 moving companies now in business, he says, "4,000 could drop out of the market, and the remaining companies would easily absorb the business."

Nonetheless, Petty says that within the industry there are fast-growing segments, among them public warehousing and self-storage. "I see a market for boutique specialty movers and self-storage facilities," he says. Companies that focus on business and office moves in urban areas will find "a pretty brisk market."

The National Moving and Storage Association publishes a manual, *Certified Moving Consultant Program*, which covers the basics of starting a moving company.

Priced at $75, the book may be ordered by writing or calling the association at 11150 Main St., Suite 402, Fairfax, Va. 22030; (703) 934-9111.

SELF-EMPLOYMENT

The One And Only

I need information on starting a business that will only have one employee—me!
G.I.A., Nashville, Tenn.

Veltisezar B. Bautista, owner of Bookhaus Publishers, lists seven tips for the solo business operator—he is one himself—in his book *How To Build a Successful One-Person Business: A Common Sense Guide to Starting & Growing a Company.* He says you should have a dream and chase it, program your mind for success, set short- and long-term goals and have plans to reach them, make use of technology, form business alliances, use the experiences of other people, and simplify your business operations.

The book contains useful tips on targeting a niche market, developing entrepreneurial traits, and building ideal one-person businesses.

Priced at $23.95, the book is available by writing or calling Bautista's firm at P.O. Box 3277, Farmington Hills, Mich. 48333; (810) 489-8640. Refer to ISBN No. 0-931613-09-4.

PERSONNEL

Saying Thanks

I own a small service business, and I can't offer my employees very high wages. Are there any other ways that I can show my appreciation for their hard work?
E.T.H., Newton, N.J.

Bob Nelson, vice president for product development at Blanchard Training and Development, Inc., a human-resources-development firm in San Diego, has written a book on motivating, recognizing, and rewarding employees.

In *1001 Ways to Reward Employees* (Workman Publishing), he suggests many ways to let employees know their work is appreciated, from a written "thank-you for a job well done," to gifts or profit-sharing arrangements.

The book is filled with case studies of reward systems that have resulted in significant increases in employee satisfaction and company profits. Also included are chapters on noncash rewards, low-cost rewards, contests, communication, and time off.

The paperback costs $8.95 and is available in many bookstores.

AGRICULTURE

Going With The Grain

I am interested in opening a feed store. Whom should I contact for information?
R.L.C., St. Charles, Mo.

Rex Ranyon, information specialist with the American Feed Industry Association, will be able to help you. The association offers several publications designed to help the beginning feed-store operator get started. Ranyon also invites you to call him with your questions at (703) 524-0810.

The association recently published *Feed Manufacturing Technology IV,* a 600-page reference manual that covers current technologies and manufacturing practices connected with the feed business.

More than 80 industry experts contributed to the publication, which offers information on plant and store operations; topics include construction, production, equipment, cost accounting, management, quality control, operating efficiencies, and environmental concerns.

The book costs $110 for members of the association and $220 for nonmembers. To order the book or to request a free copy of the organization's publications catalog, contact the Publications Department of the American Feed Industry Association, 1501 Wilson Blvd., Suite 1100, Arlington, Va. 22209-3199; (703) 524-0810.

BUSINESS TEXTS

Maximizing Your Strengths

I am looking for a good reference book on how to identify and build on the strong points of my small but growing business.
L.P.T., Cedar Rapids, Iowa

Looking at your business from the inside out means also examining your own management strengths and weaknesses, says Grace McGartland, president of GM Consultants, a small-business management consulting firm in Pittsburgh.

"We lose opportunities because we don't embrace change," says McGartland. "There is no system in place, no direction to guide our thinking." McGartland offers a step-by-step procedure on how to transform insights and options into business results in her book *Thunderbolt Thinking* (Bard Publications).

The book starts with assessments—personal management styles, work habits, and organizational operations. From that basis, McGartland covers training in how to recognize strengths and weaknesses in businesses, and how to reinforce the strong areas while minimizing or even eliminating the bad habits.

The book offers a variety of options for strategic planning, marketing, new-product development, and day-to-day timesavers. Priced at $29.95, *Thunderbolt Thinking* is available at bookstores or by writing or calling Publication Services, Inc., 8870 Business Park Drive, Austin, Texas 78759; 1-800-945-3132. Refer to ISBN No. 0-9632785-1-7.

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business,* 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Writers will be identified only by initials and city. Questions may be edited for space.

Nation'sBusiness

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The Small Business Resource Guide

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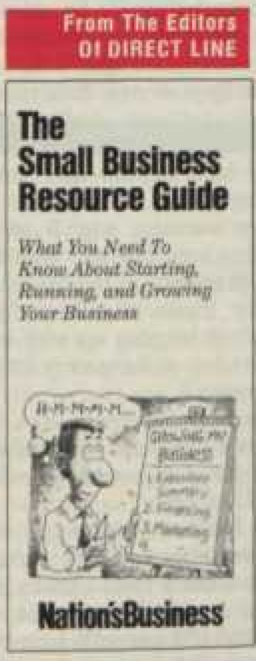

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It's Your Money

A monthly survey of strategies and suggestions to help you with your personal finances.

By Peter Weaver

INSURANCE

Student Health Plans: Yours Or The School's?

It's that time of year when parents and students become involved in the off-to-college ritual. Aside from the major financial blow of tuition plus room and board, there are all sorts of other fees and incidentals to consider.

One of the more confusing choices parents face is what to do about their students' health-care coverage. Generally, there are three options:

- Use the coverage provided by the family's group plan.
- Use the school's student-health plan for an additional fee.
- Use a combination of the two.

Before you sign up for any plan provided by the school—information about it usually arrives with mailings on meal plans and student activity fees—call your own plan provider to see if the school plan duplicates coverage you already have.

"You need to clear up the confusion," says Kathleen Yorkis, dean of student affairs at Bentley College, in Waltham, Mass. Otherwise, she says, you could end up paying twice for the same coverage.

And the college and university plans are not inexpensive. According to Yorkis, "You can pay from $400 to $1,100 a year."

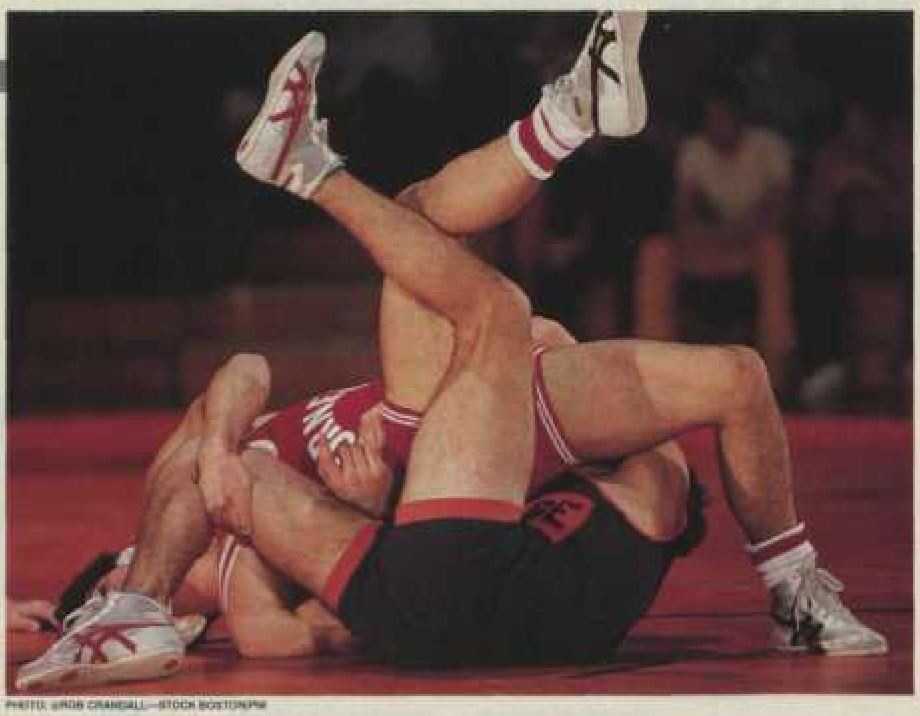
You may, however, have to opt for the college's or university's plan if the student isn't adequately covered by your family policy. "Some family coverage stops when a son or daughter reaches a certain age," says Barbara Gracey, spokeswoman for the Health Insurance Association of America, in Washington, D.C.

These age cutoffs may vary from one insurer to another. "Usually, a student is covered up to age 19 no matter what," Gracey says, "and, after that, he or she may still be covered up to age 23 as a full-time student." Some family-plan insurers may provide coverage up to age 26 for full-time graduate students.

If your family plan is run by a health-maintenance organization (HMO), your student may or may not be adequately covered because the campus location is not near one of the HMO's clinics. With the Kaiser Permanente HMO, for example, students in areas where the plan has no nearby representation are not covered except in an emergency.

On the other hand, under Prudential Insurance Co.'s Prucare HMO, students are covered no matter where they are if they follow a preauthorization procedure.

If your student participates in an intercollegiate sport (as opposed to intramural), he or she will be automatically covered by the school's special athletics policy, and there is usually no extra fee involved. But even here you should check to see if there are any limitations that may not be covered by your own insurer. ■



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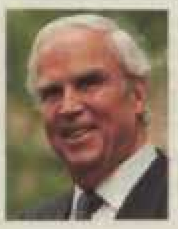
Students who participate *in intercollegiate sports are often covered by a special athletics policy that is paid for by the college or university.*



Peter Weaver is a Washington-based columnist on personal finance.

INVESTING

Being Unduly Cautious With Retirement Accounts

When working people participate in a self-managed retirement plan such as a 401(k) or an individual retirement account, they tend to be ultraconservative with their investment choices.

Faced with the possibility of investing in higher-risk growth-stock mutual funds, amateur pension managers often choose a low-risk guaranteed investment contract (GIC). GICs usually involve low-interest certificates of deposit and money-market funds that have little or no risk—and little or no long-term reward.

By dodging the stock market, these investors are moving into another area of risk that they may not know exists. It is the risk that inflation will silently nibble away at their bank-deposit and money-market earnings.

"If you are earning, say, 3 to 3½ percent on these investments," says Barbara Warner, president of the Maryland-based Windsor Financial Group, "your investment is not keeping up with inflation, and you end up making very little or just breaking even."

Over the long haul, Warner says, "the only investment that can beat inflation and build up the retirement or college fund you need is stocks."

Data from Ibbotson Associates show the average annual percentage increases in various investments from 1925 to 1993: small-company stocks, 12.1 percent; big-company stocks, 10.4 percent; long-term corporate bonds, 5.4 percent; long-term government bonds, 4.8 percent; Treasury

bills (on which CD rates are set), 3.7 percent.

It's obvious that, over the long term, stocks always beat the more conservative investments. The key phrase here, according to Barbara Warner and other financial planners, is "long term." By regularly investing in stock mutual funds for a period of five years or longer, the risk of a market plunge in any given year is greatly reduced because the market tends to be up in the other years.

Risk is also related to your age and stage in life. When you are younger, you can afford more risk, building a portfolio that is heavier in growth-stock funds.

But as you near retirement, says Barbara Warner, "you should consider mixing in lower-risk, income-producing funds with your growth [stock] funds." ■

TRAVEL

Rental-Car Returns

PHOTO: T. MICHAEL KEZA

Consider how far *you plan to drive the car you are renting when deciding on mileage limits.*

When you rent a car, especially on a long-weekend or other such discount deal, it's important to know the company's rule for late returns.

"Even though it's somewhere in the contract," says Ed Perkins, editor of *Consumer Reports Travel Letter*, "people are upset because they may be charged for an extra day when they bring the car in an hour or two late." In some cases, he says, "being a little late might flip the contract back to the full weekday rate for the entire weekend."

Some companies have grace periods of up to an hour, but some don't. For example, in one East Coast location, Avis gives you a major discount if you pick the car up at noon (or later) Thursday and bring it back before noon Monday. Plus you get an hour's grace period.

With Hertz, on the other hand, you get the weekend special by picking up the car at noon (or later) Thursday, and you don't have to bring it back until midnight Monday. But there is no grace period.

Aside from the return-time limits, rental companies are beginning to reinstate mileage caps in some locations. You might get unlimited miles at a higher rate, or limited miles at a lower rate.

"Which one you choose," says Chuck Parker, publisher of *Auto Rental News*, in Redondo Beach, Calif., "depends on where you are going with the car." If you only need the car to get back and forth from the airport and, perhaps, get to a few places in town, then you might choose limited mileage to get the lower rate.

"A local company might offer a very low rate but impose fairly severe extra mileage charges," Ed Perkins says. And, to make it more complicated, prices and restrictions—return times and mileage—vary all over the place from location to location and for specific dates.

"I recommend finding out all the restrictions and related charges in advance from your travel agent or the rental company," Parker says.

"Get it all sorted out ahead of time," says Perkins, "because it won't work once you're at the counter." ■

MORTGAGES

Paying A Little Extra Each Month Can Save Money

By adding a little extra to your monthly mortgage payment, you can save thousands of dollars in interest costs and reduce the term of the loan.

Mark Eisenson, author of *The Banker's Secret* (Villard), a guide to saving money on loans, gives examples: "With a 30-year, 8 percent mortgage of $150,000 and paying $50 a month extra, you'll save $44,149 over the life of the loan, and you'll reduce the term of the loan by 4½ years. By paying $100 a month extra, you'll save $72,952 and reduce the term by 7½ years."

Some mortgage coupons contain a line for indicating extra payment amounts, Eisenson notes, but others state only the exact amount to be paid each month. "In this case," he says, "you may have to send in a note explaining that you want the extra amount applied to reducing the principal." Otherwise, the additional amount could be put into a property-tax escrow account or could be used to pay interest without reducing the principal.

The Banker's Secret, $17.95, can be ordered by calling 1-800-255-0999. ■

CHARGE CARDS

When Merchants Block Out Credit

Maybe this has happened to you. You're on a long business trip. You have checked into a series of hotels and rented cars from several agencies. One evening, you invite customers or colleagues to an expensive restaurant for dinner. The waiter brings the check, takes your card, and then brings it back and says there is a hold on your account.

You've unwittingly exceeded your credit limit, and you're red-faced in front of your guests.

This is sometimes a result of "credit blocking," done by hotel and auto-rental clerks to make sure you have enough credit to pay your bill. "They block out $500, $1,000, whatever," says Geri Detweiler, author of *The Ultimate Credit Handbook* (Plume). Blocking effectively reduces the amount of credit you have left on your card, without your knowing how much and for how long.

"We found that many business travelers were unaware of the fact that blocking occurred," says David Medine, associate director for credit practices at the Federal Trade Commission.

Here is how it works: At a hotel or auto-rental desk, a clerk takes your credit card and runs it through the machine, pushes a button, and your credit line is reduced even though you haven't paid for anything. If your hotel room is $120 a night and you have booked it for four nights, your line of credit is cut by $480—plus perhaps $120 more for meals, room service, and other possible charges. Now your credit is down by $600.

You've booked your rental car for five days at, say, $35 a day, and the rental-car company adds $35 more to cover contingencies. That's $210 added to the $600: a total of $810. If the same thing happens the next week in another city, you may have more than $1,600 blocked out.

Normally, if you use the same card to pay your bill as you use for checking in, the block is supposed to come off within three days or so. "If you use another card to pay the bill," says Medine of the FTC, "they could hold the block up to 15 days."

It can be worse overseas. "When you travel abroad," Detweiler says, "the block may stay on for 10 or 15 days even though you pay your bill with the same card you used to check in."

"If you feel you might have a problem with blocking," says Medine, "ask your credit-card issuer how the blocking works—and for how long—if you don't use the same card for paying up." You can also ask the issuer to take off a block as soon as the transaction is concluded.

Medine and Detweiler recommend you use one card with a high credit limit to check in and pay the bill, and use another card with adequate credit to pay for dining out and other activities. NB

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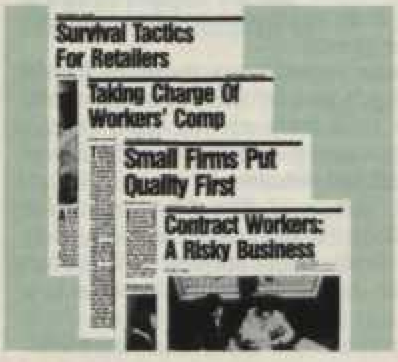

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Where I Stand

On Civil Penalties

Background: A proposal before Congress would index virtually all of the 250 civil monetary penalties for violations of federal regulations. Immediate increases would reflect inflation from the time the amounts of the fines were first set or last adjusted, with automatic increases thereafter. Penalties under the Internal Revenue Code would be excluded. The following questions seek your views on this proposal.

Results of this survey will be forwarded to administration and congressional officials. Send the attached, postage-paid response card. Or circle your answers below and fax this page to (202) 463-5636.

1

Should civil penalties levied by the federal government be raised to reflect inflation since the amount of the fine was first set or last adjusted?

1. Yes
2. No
3. No opinion

2

Should these fines go up automatically in future years in line with the cost of living?

1. Yes
2. No
3. No opinion

3

Is raising the amount of fines a proper way for the U.S. government to increase its revenue collections?

1. Yes
2. No
3. No opinion

4

If Congress rejects indexing, which of these steps should it then take?

1. Review each penalty periodically to determine which should be raised
2. Review each penalty periodically to determine which should be eliminated
3. Give each agency authority to adjust penalties under its jurisdiction
4. Rely more on incentives than on penalties

5

Some opponents of the indexing plan argue that it is actually a disguised tax increase. What is your view?

1. Agree
2. Disagree
3. No opinion

6

Advocates of indexing federal civil penalties to inflation say it is necessary to preserve the deterrent effect of the penalties. What is your view?

1. Agree
2. Disagree
3. No opinion

Send Your Response Today!

POLL RESULTS

Readers' Views On Liability Reform

Ninety-four percent of the small-business people responding to a *Nation's Business* poll said they believe that current laws governing product liability encourage too many lawsuits. In that response and other replies, they demonstrated overwhelming support for reform legislation now pending in Congress.

Reform bills are expected to come up on the floors of the House and the Senate this year, a development that in itself would be major progress in the business campaign for change. No product-liability reform measure has gone that far in the legislative process in the more than 10 years that the issue has been pending in Congress.

The poll on product-liability reform appeared in the Where I Stand feature in the May issue of *Nation's Business*.

More than 80 percent of respondents agreed with the reformers' view that by encouraging lawsuits, the present liability system deters production of beneficial goods and services, and 89 percent expressed support for pending proposals that would limit punitive damages.

By strong majority votes, respondents to the poll also supported the views that a uniform federal liability law should replace the present individual state laws, that a defendant company should be liable for damages only in proportion to its share of responsibility for harm, and that a plaintiff's use of alcohol or drugs is a valid defense against damage claims when such use was the primary cause of an accident.

Here are the complete results of the survey:

LIABILITY REFORM

Do current product-liability laws encourage too many lawsuits against makers and sellers of products?	1. Yes 2. No 3. No opinion	94% 4 2
Separate and sometimes conflicting laws control how each of the 50 states determines liability. Is a uniform federal liability law needed?	1. Yes 2. No 3. No opinion	70% 22 8
How do you view the argument that by encouraging lawsuits, liability laws deter production of beneficial goods and services?	1. Agree 2. Disagree 3. No opinion	82% 13 5
Reforms proposed in pending legislation include restraints on punitive damages. Should the law include a limit on such damages?	1. Yes 2. No 3. No opinion	89% 9 2
Another recommended reform would make a defendant company liable only in proportion to its share of responsibility for alleged harm. Should this provision be enacted?	1. Yes 2. No 3. No opinion	92% 3 5
When alcohol or drug use is the primary cause of a product-related injury, should a company be allowed to use that fact in defending itself against damage claims for that injury?	1. Yes 2. No 3. No opinion	94% 4 2

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For Your Tax File

How to keep taxes from trapping you.

By Albert B. Ellentuck

EXPENSES

Starting Or Expanding A Company—Tax-Wisely

When you create or expand a business, it's important to understand that many of your initial costs cannot be deducted immediately. Among such expenses are organizational and start-up costs.

Organizational costs can include legal fees for drafting such corporate documents as by-laws, articles of incorporation, and minutes; accounting services in organizing the corporation; expenses of temporary directors; organizational meetings of directors and shareholders; and any fees paid to the state. Such costs must be capitalized, but the business can elect to amortize them over five years.

Start-up costs are the costs of doing business that would ordinarily be deductible but which are incurred before a business actually begins operation. These can include investigatory expenses, feasibility and marketing studies, wages of trainees and the executives training them, and the costs of advertising the opening. Like organizational costs, these must be capitalized unless the business elects to amortize them over five years.

This rule regarding start-up costs also affects the expansion of a business. For example, if a restaurant is successful and the owners are considering opening another one in a new location, they will likely incur substantial costs for feasibility and marketing studies, training, advertising, and staff salaries. In addition, the owners must decide whether to put the new restaurant in a new subsidiary corporation or to operate it as a division of the original restaurant corporation.

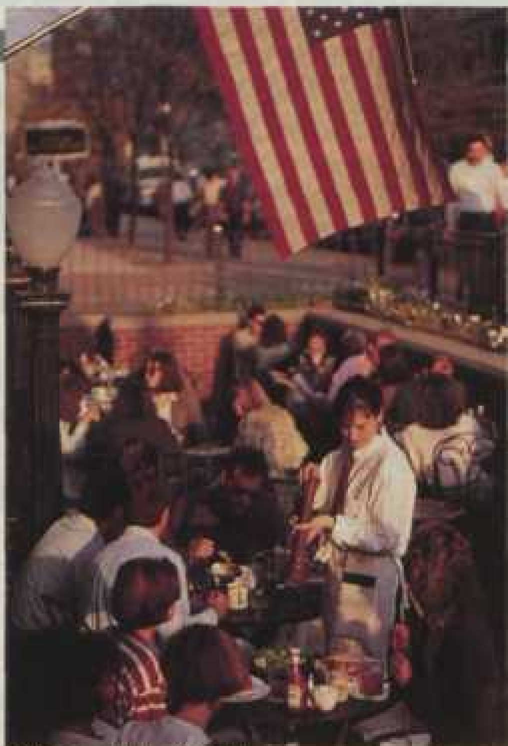

PHOTO: ©FRANK SITEMAN—STOCK BOSTON/PNI

Firms such as *restaurants should consider the ramifications when expanding.*

When the first restaurant opened, the owners would have made an election to capitalize and amortize start-up expenditures over five years. This would have been necessary because, as in any start-up situation, the owners would not be in business at that time, so all expenditures would be treated as nondeductible.

If the restaurant corporation now opens a new location, it can operate the new enterprise as a division of the existing corporation. Because the first restaurant is already operating, the Internal Revenue Service generally will look at the opening of the second one as an expansion of the first. In this case, the IRS permits the current deduction of the costs incurred in establishing the new restaurant.

By comparison, a recent Tax Court case involved a restaurant corporation creating a new subsidiary every time it decided to open a new restaurant. The corporation attempted to deduct the costs incurred in opening each new restaurant in the year the costs were incurred. But the Tax Court denied the deduction because it considered each new subsidiary a completely new business; thus, the start-up expenses had to be capitalized. Of course, the company could have made an election to amortize these expenses over five years. From a tax standpoint, it would have made more sense to operate the new restaurant as a division, so that all expenses could be deducted in the year they occurred; but nontax factors may also apply.

A business owner should consult an attorney about tax and nontax advantages and disadvantages of operating a new enterprise as a division of an existing business or as a separate corporation. ■

SECURITIES

A Tax Break On Gains Reinvested In Small Business

During the current uncertainty in the stock market, a little-noticed provision of the Omnibus Budget Reconciliation Act of 1993 could help stock sellers defer their gains.

Tax lawyer Albert B. Ellentuck is counsel to the Washington, D.C., law firm of King & Nordlinger. Readers should see tax and legal advisers on specific cases.

Ordinarily, you cannot defer taxes on stock gains by rolling them over into other stocks. But if you meet certain requirements and handle the transaction properly, you now may be able to do just that.

Specifically, when you sell your stock or securities and reinvest the proceeds within 60 days in a Specialized Small Business Investment Company (SSBIC), you can generally defer any gain until you sell the SSBIC stock; there are some exceptions and limitations, however.

SSBICs are special-purpose venture-capital firms authorized by the Small Business Administration to invest in small companies owned by economically disadvantaged individuals. The agency says there are more than 100 SSBICs.

Generally, individuals may exclude up to $50,000 of the gain per year; corporations may exclude up to $250,000 per year.

However, the deferral provisions related to reinvesting gains in an SSBIC do not apply if the owner of the stock is an estate, a trust, a partnership, or a Subchapter S corporation.

For individuals who want to unload particular holdings but don't want to get out of the market completely, an SSBIC may be the answer. Not only can you invest the proceeds in an SSBIC and defer the gain in certain circumstances, but you also can hold the SSBIC as an investment or sell it when you have capital losses to offset the capital gains from the sale. NB

Editorial

Statistics On Those Lacking Health Insurance Need To Be Considered In Context

The deluge of statistics that figure in the current debate over health care includes an often-heard number—38 million. That, we are told, is the number of Americans who lack health insurance and therefore are denied access to health care.

The statistic is put forth as a major argument for some form of universal coverage guaranteeing that every individual has health insurance. Leaving 38 million people out of the medical-care system is a great injustice, according to this argument.

But this number needs scrutiny to determine its accuracy and relevance.

Such scrutiny leads to a different picture than that of 38 million people shut out of the health-care system.

The number must first be placed in context. There are 255 million Americans, and 217 million have health insurance. Nearly 150 million are covered by group health policies as employees or dependents. More than 52 million receive medical care through the government programs of Medicare for the elderly and Medicaid for the poor. More than 15 million individuals buy their own health insurance.

Why are 38 million uninsured? It is first important to realize that membership in that group is not static. People move in and out of it as their employment and/or financial status changes. If you count only those without insurance for a full year, the total drops to 24 million.

Age is a factor in this question of who is insured and who is not. Nearly half of individuals ages 18 to 24 do not have health insurance, while coverage increases among older groups. See the chart on this page.

Certificate of Birth

Age As A Factor In Health-Insurance Coverage

Percentage of Americans without health insurance for at least one month, February 1990 through September 1992, by age category.

Age Category	Percentage Uninsured
65 And Above	1
45-64	19
35-44	22
25-34	32
22-24	47
18-21	48
Under 18	29
All Persons	25

SOURCE: U.S. BUREAU OF THE CENSUS

CHART: KATHLEEN VETTER

Many of the younger individuals may have such confidence in their continued good health that they do not believe that insurance is necessary. In their view, the prospect of a costly illness is something that does not have to be faced for many years. At the same time, these young people have yet to establish the employment patterns conducive to continued health insurance. As the U.S. Census Bureau puts it: "Stable, full-time employment improves one's chances of having continuous coverage."

On the other hand, no one can argue that the issue of the uninsured should not be a factor in the health-care debate. It should be discussed, but not on the basis that government-mandated, employer-paid coverage or a single-payer plan modeled on Canada's are the only options.

The American people are overwhelmingly opposed to either of these approaches, and it is not politically realistic to look to these alternatives as solutions.

Both the insured and the uninsured would be best served by adoption of a plan that addresses their major concerns—access to quality care at reasonable cost and continuity of coverage. Those goals are attainable through the American Plan, which the U.S. Chamber of Commerce is backing as a way of improving the current, market-based medical-care system.

That plan's proposals have strong grass-roots support, could win congressional approval quickly, and, what is most important, would work.

Pressing for radical solutions that meet none of those criteria does nothing to help ease the problem of the uninsured. NB

Free-Spirited Enterprise

By Janet L. Willen

ILLUSTRATIONS: RICHARD GAGE

Rack It Up

The **Tier-Rack Corp.,** of St. Louis, says bulk storage doesn't have to load you down. The company designed Load-Nesters to add flexibility to heavy-duty storage.

A Load-Nester is a customized portable steel storage rack that can support thousands of pounds. Nests come with open or closed sides, and they are available welded or in knock-down designs that can be taken apart and easily stowed. Depending on the items being stored, as many as five racks can be stacked on top of one another.

Each rack is painted with baked-on powder enamel in the color of your choice.

Racks start at about $45 each, depending on size, configuration, and quantity. For more information, call 1-800-325-7869.

A Flipped Lid

Putting the top down means something special at **PreVail Inc.,** of Santa Rosa, Calif. With the company's new style of bottle, called Cap Well, the top is stored in the base when the bottle is in use or discarded.

Created for use with any bottle, PreVail says Cap Well makes it easy to keep a cap and bottle together. After you remove the cap from the mouth of the bottle, you snap it onto the cap-shaped recess in the base. To reseal the bottle, you flick the cap off the bottom. Leave the cap on the bottom for recycling or other disposal.

PreVail says Cap Well can be designed to conform to the dimensions of any bottle cap.

To find out about licensing rights or for other information, call (707) 525-8535.

The Choice Is Yours

There's something for everyone in the vending machines from **Payphone Technology,** of Inglewood, Calif. Users get the products they want, and businesses get the profits.

Businesses purchase the machines, fill them, charge what they want for the vended products, and keep all the profits. Payphone Technology says the average return is $50 per month.

The machines vary according to type of product. You can choose one that sells individually packaged snacks, like candy bars, chips, and brownies; or one that dispenses small candy bars; or one for bulk snacks, like an ounce and a half of nuts, sesame seeds, or gum balls. Some are made for health and hygiene products, others for soft drinks, or mints, or stamps.

Owners fill the machines with products from local markets or discount stores. The free-standing machines are metal and have a coin mechanism. Machines can take various combinations of nickels, dimes, or quarters depending on the slots used.

Machines start at $129 (the mint machine) and come with a 30-day money-back guarantee. For more information, call 1-800-282-0128.

Traffic Safety And . . .

Wherever traffic control is important, the Robo Sign can spring into action.

The traffic-management system, from **Robo Sign Ltd.,** of Londonderry, Northern Ireland, is designed to replace two-person flagger teams with two mechanized units that are controlled by one person who stands out of the line of traffic.

Robo Sign PRC 100 has two identical base units that contain rechargeable batteries. Extending from each unit is a detachable pole that holds a traffic signal paddle with the word "STOP" on one side and "SLOW" on the other.

Place a unit at each end of a congested or construction area of 25 to 200 yards. The operator, standing so that each sign is visible, uses a hand-held control button to regulate the signs.

With each press of the button, the signs rotate. When one sign says "Stop," the other says "Slow." With every other rotation, both signs say "Stop." The system is designed to prevent "Slow" from appearing at each end simultaneously.

The system includes the two 42-pound base units, a hand-held device, and a battery charger. Suggested retail price: $5,000.

For more information, call Culley-Foster & Co., the North American agent for the manufacturer, at (703) 471-1661.

Water Safety

Too hot to handle may be a thing of the past, with the Ultravalve Intelligent Bathing System, from **Memry Corp.,** of Brookfield, Conn.

The company's water-temperature control system lets you select the temperature you want by degree. The system uses a control panel that is flush to the wall. Push one button to turn the water on or off and another to select the water temperature. The temperature appears on an LED display panel in the Fahrenheit or Celsius scales.

The panel is available in chrome, brass, black, white, and gold plate finishes. It can be installed anywhere within 10 feet of the water supply.

The system comes with a backup battery in case of power failure.

Cost: $470. For more information, call 1-800-582-5454. NB

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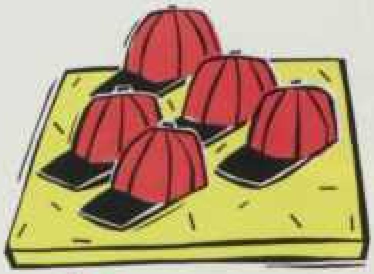

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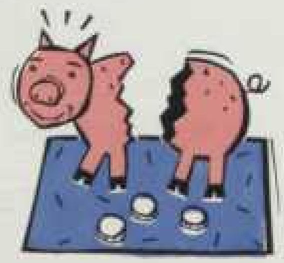

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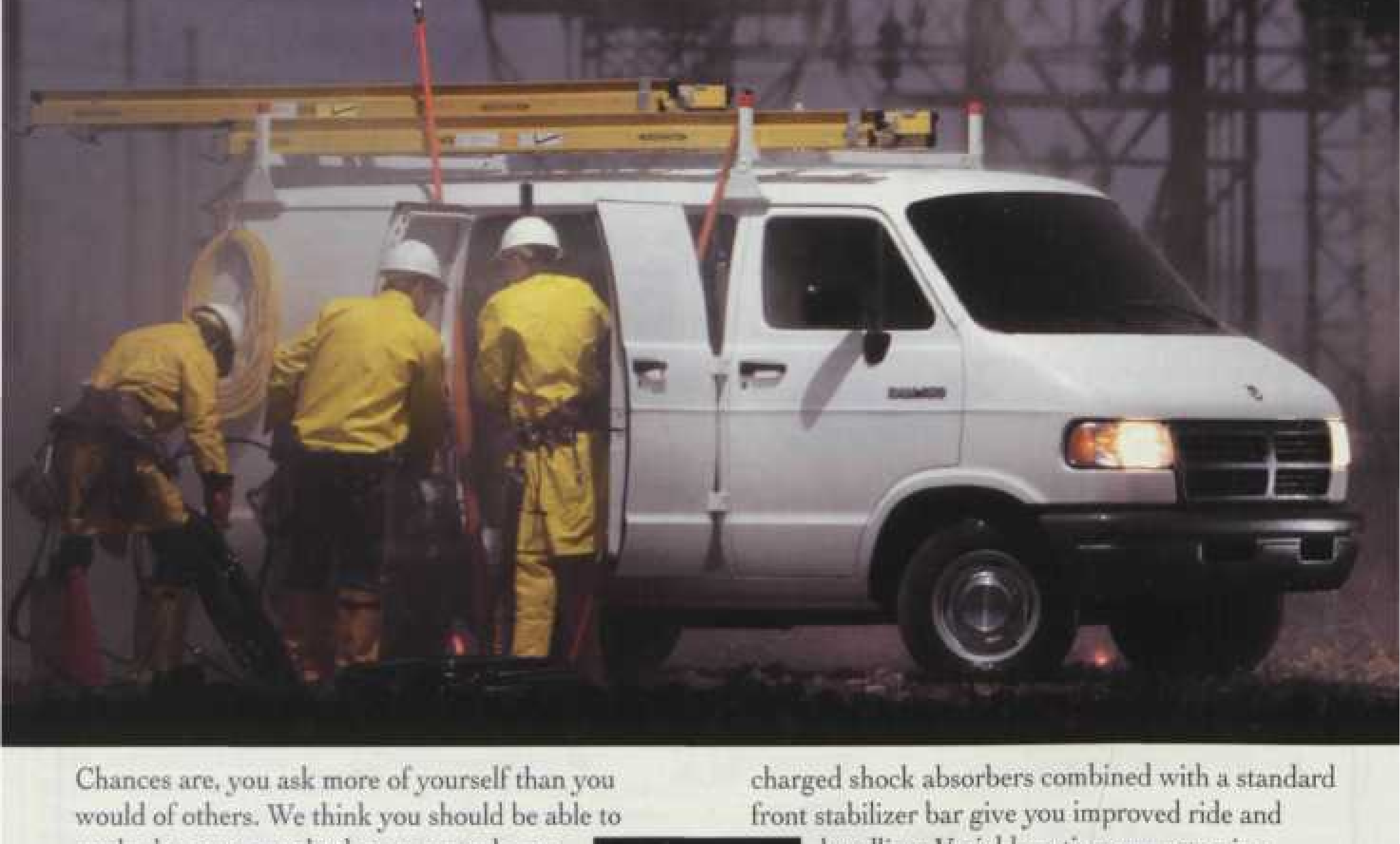

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Ram Van's available 360 cubic inch, 5.9L Magnum V-8 outpowers comparable V-8s with an impressive 230 horsepower and a whopping 330 lbs ft of torque.

Dodge can carry more weight than the others, too. With a maximum available payload capacity that's greater than Ford, Chevy or GMC. And depending on the model you choose, Dodge Ram Van has more maximum interior cargo length and volume than Ford Econoline. Add the fact that with Dodge Ram Van B150, your starting price is lower than any van in its class[1] and it starts to sound pretty convincing.

But it gets even better. For 1994, retuned gas-charged shock absorbers combined with a standard front stabilizer bar give you improved ride and handling. Variable-ratio power steering minimizes effort in tight steering situations, while providing a firm on-center feel. And rear-wheel anti-lock brakes are standard.

What's more, Ram Van satisfies your job needs with a choice of three lengths.

Matching Ram Van's warranty choice is one task no other work van is up to. With its standard Owner's Choice Protection Plan, you get 7-year/70,000-mile powertrain protection or 3-year/36,000-mile bumper-to-bumper coverage.[2]

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[1] Base MSRP comparison. Standard equipment levels vary. [2] See limited warranties, restrictions & details at your dealer. Excludes normal maintenance, adjustments & wear items.

RAM VAN THE NEW DODGE

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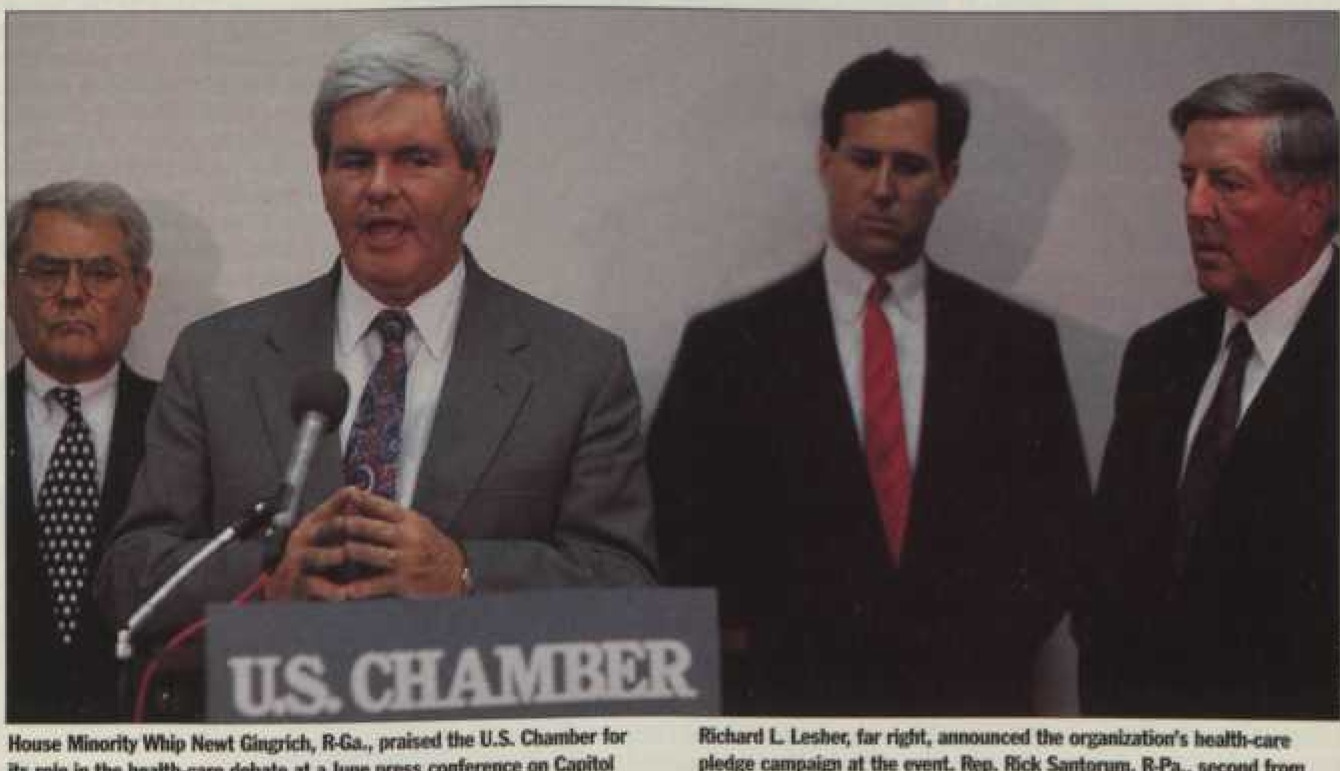
The Business Advocate

SUPPLEMENT TO Nation's Business JULY 1994

U.S. Chamber of Commerce

Chamber Urges Lawmakers To Sign Pledge

Health-Care Activism



House Minority Whip Newt Gingrich, R-Ga., praised the U.S. Chamber for its role in the health-care debate at a June press conference on Capitol Hill. William C. Marcil, left, 1994-95 Chamber chairman, and President Richard L. Lesher, far right, announced the organization's health-care pledge campaign at the event. Rep. Rick Santorum, R-Pa., second from the right, is among the lawmakers who have signed the pledge.

The U.S. Chamber of Commerce has launched a campaign to put members of Congress on record in support of three key Chamber goals on health-care reform. Senators and representatives have been asked to sign a "Health Care Reform, Employer Protection Pledge," vowing that "in order to protect U.S. businesses and preserve jobs," they will oppose employer mandates, tax increases, and expansion of the government bureaucracy. *Continued on Page 90*

Board Action

See details of the latest U.S. Chamber efforts toward federal fiscal restraint. Page 91.

Trade News

The Chamber wins a strategic victory on China's trade status. Page 92.

Victories

The Senate approves two key pro-business amendments to a drinking water bill. Page 92.

■ Activism

Health-Care Pledge Campaign Launched

Continued from Page 89

The pledge is made to "employers and employees of the American business community." Specifically, the members of Congress signing the pledge commit that they will:

■ Oppose mandates that force employers to pay for employees' health-care benefits.

■ Oppose new taxes on employers to pay for health-care benefits.

■ Oppose expanded government bureaucracy that will impose burdensome regulations on employers.

The first senators and representatives to sign did so at a Capitol Hill ceremony June 7 at which the Chamber presented "Spirit of Enterprise" awards to those legislators whose votes demonstrate support of the free-enterprise system.

At a June 8 Capitol Hill press conference announcing the health-care-pledge campaign, 1994-95 U.S. Chamber Chairman William C. Marcil said that the business federation would "mobilize our full membership" to secure pledges from lawmakers. "We are asking all of our members to become fully engaged in this effort."

William C. Marcil, 1994-95 chairman of the U.S. Chamber, addressed an alliance of northern Colorado chambers of commerce on the national organization's legislative efforts on health-care reform and other issues.

Several lawmakers who participated in the press conference and who have signed the pledge praised the Chamber for its leadership on the health-care-reform debate.

Said Sen. Connie Mack, R-Fla.: "I want to commend the Chamber for the effort they have made."

"On behalf of Republicans in the House," added Rep. John A. Boehner, R-Ohio, "I congratulate the Chamber for their drive to get members [of Congress] on record as opposing mandates."

House Minority Whip Newt Gingrich, R-Ga., said, "I want to commend the Chamber ... for taking the leadership role [against the Clinton plan]."

Gingrich said that lawmakers signing the pledge, Chamber-led business opposition to the Clinton plan and its variations, and growing opposition from the public should persuade "swing Democrats" to join Republicans to defeat the president's bill and to craft a bipartisan measure addressing such consensus issues as malpractice reform, pre-existing conditions, and health-care portability.

Rep. Rick Santorum, R-Pa., praised the Chamber "for coming forward at a very critical time in the [health-care] debate with a shot across the bow" of legislators who are backing employer mandates, taxes, and a government-run system.

"You have this large and very prestigious organization going out to its members [with a health-care survey], and now the Chamber is responding to its members," said Sen. Paul Coverdell, R-Ga. He said President Clinton is ignoring the views of the American people, who, Coverdell said, "are opposed to his government-run plan."

Shortly before the press conference, Coverdell addressed the Chamber's board of directors and lauded the Chamber's March membership survey as representing a "signal turning point" in the health-care-reform debate.

At the press conference, Sens. Conrad Burns, R-Mont., and Dirk Kempthorne, R-Idaho, also applauded the Chamber for its efforts and agreed that employer mandates, taxes, and government bureaucracy would wreck the health-care system and eliminate jobs.

In a June 8 letter to Chamber President Richard L. Lesher, House Minority Leader Robert H. Michel said: "I am glad to see that the U.S. Chamber is undertaking a major effort against the job-killing employer mandates advocated by President Clinton and the Democratic leadership in Congress as the primary method of financing their government-run health-care-reform proposals.

"For meaningful health-care reform to move forward, ways must be found to get the message across to the Democratic leadership that their continued insistence on employer mandates is a major obstacle to the enactment of health-care-reform legislation. Getting members [of Congress] to go on record in opposition to employer mandates is a good method for getting that message across."

At the press conference, Lesher said that the pledge would be used "to make a clear distinction among our elected representatives between those who are committed to protecting employers and jobs, and those who support taxes and government bureaucracy."

(For more information on the status of health-care reform, see Page 95.)

Contact your senators and representative immediately and urge them to sign the Chamber's health-care pledge against employer mandates, taxes, and government bureaucracy if they have not already. Lawmakers can be reached through the Capitol switchboard at (202) 224-3121.

■ Priorities

Plan Now To Attend Sept. 8 Conference

You can help set the National Business Agenda for 1995-96 by participating in a dynamic, nationwide videoconference on Sept. 8.

The satellite town hall meeting will be broadcast from 11 a.m. to 1 p.m. Eastern time to downlink sites nationwide. It will feature key legislative strategists on the major business issues expected to emerge in the months ahead.

Make plans to attend now. For information, call Greg Wilson in the U.S. Chamber's Office of Membership Grassroots Management at (202) 463-5604.

■ Environment

Chamber Continues Push For Changes In Water Bills

Alan Bahl, an environmental engineer with Milwaukee-based Universal Foods Corp., explains on behalf of the U.S. Chamber why changes are needed in bills to rewrite the Clean Water Act.

With the House and the Senate nearing votes on clean-water legislation, the U.S. Chamber of Commerce is working aggressively to make sure members of Congress and the public know the many concerns that business has with the pending bills.

Much is at stake for companies in the legislative outcome. The House and the Senate bills contain broad language that could require states to conduct lengthy reviews every time a manufacturer seeks a new or expanded wastewater-discharge permit.

Also under consideration are tougher criminal and civil penalties for companies, tighter restrictions on the development of wetlands, and a duplicative federal groundwater program.

Alan Bahl, an environmental engineer with Milwaukee-based Universal Foods Corp., testified on behalf of the Chamber before the House Public Works and Transportation Committee in late May. He told the lawmakers that the present statute has been successful in cleaning up the nation's waterways and that additional water restrictions under consideration would likely hamstring industry.

The testimony followed the Chamber's successful effort to help persuade the panel's chairman, Rep. Norman Y. Mineta, D-Calif., to hold a hearing after he had indicated the bill would be sent to the House floor without an opportunity for such input.

"A major concern of the Chamber is that many portions of the federal laws, EPA programs, and regulations are nearly incomprehensible to the practicing professional and even more so to the small-business person or small manufacturer where the bulk of America's jobs—and job growth—reside," Bahl testified. He said industry is particularly concerned about provisions of the House bill introduced by Mineta, H.R. 3948.

Among other provisions, that bill would require states to adopt federal rules that could prevent facilities from increasing their wastewater discharges—which typically occur during a plant expansion or changes in production output.

Charles Ingram, associate manager of environment policy at the Chamber, says members of the business federation should continue urging their members of Congress to address business's concerns.

"The legislation should be improved by including risk assessment, cost-benefit analysis, and other economic considerations," says Ingram, who is coordinating the Chamber's clean-water efforts.

In a recent briefing for media representatives on the issue, Stuart Hardy, the Chamber's manager of agriculture and natural resources, explained business's position on the legislation to regional reporters at the National Press Club, in Washington. He said business believes the Mineta bill, as well as similar Senate legislation (S. 1114), relies too much on centralized control of water-pollution prevention policies. What Congress should do, he said, is give states and businesses flexibility to address water-pollution problems and to assess associated risks in setting priorities in line with federal efforts.

■ Budget

Chamber Urges Fiscal Reform

The U.S. Chamber is stepping up its campaign for restraint in federal spending.

In recent actions, the business federation has:

■ Endorsed reforms to combat the "bias toward higher spending" in the current federal budget process.

■ Endorsed the "A-to-Z" plan to guarantee rank-and-file House members a floor vote on their spending-reduction proposals.

■ Continued to press for creation of a nonpartisan commission to identify spending cuts for Congress.

Rep. John R. Kasich, R-Ohio, addresses the Chamber's board.

The budget reforms, which the Chamber's board of directors approved at its June meeting, are contained in the proposed Common Cents Budget Reform Act of 1994. A House vote is expected on the legislation by July 4.

Rep. John R. Kasich, R-Ohio, a principal sponsor of the measure, said in a June 8 address to the Chamber board that a particular target is the practice of claiming a spending reduction for nothing more than modifying the amount of an expected increase.

The A-to-Z plan (named for its sponsors, Reps. Robert E. Andrews, D-N.J., and Bill H. Zeliff Jr., R-N.H.) would guarantee members of the House a floor vote on any spending cut they wished to propose.

The spending-commission plan has had the strong backing of the Chamber since it was first proposed. The commission would be modeled on the panel that selects military bases for closure to avoid the political ramifications of direct congressional action.

Urge your representative to support the Common Cents Budget Reform Act of 1994 (H.R. 4434) and the A-to-Z plan (H.R. 3266). Urge your senators and representative to support creation of a spending-reduction commission (S. 1191 and H.R. 2953).

■ China

Key Victory On Trade

The U.S. Chamber of Commerce scored a significant victory when President Clinton agreed to renew most-favored-nation (MFN) trading status for China with no links to that country's progress on human rights.

The Chamber long has advocated extension of MFN to China—and other nations—without conditions. U.S. trading partners granted MFN are treated equally; they are not granted special trade privileges.

Using trade as a weapon to achieve social reforms—such as on human-rights issues—in other countries can damage U.S. commercial and strategic interests in those nations. Also, says the Chamber, it can lead to setbacks in achieving reforms by inadvertently harming the people in those nations who favor the reforms the most.

The Chamber had urged the administration to extend the favorable trading status to maintain U.S. influence —both economic and social—in this large and important region.

The Clinton administration agreed in late May to extend the trading status to China for one year, until July 3, 1995. Congress can deny the status if two-thirds of both houses vote to do so, but such action is not expected.

The administration had threatened to deny MFN status if China had not made progress on human rights, including halting persecutions of Chinese dissidents and ending the use of prison labor. The MFN extension granted last year included a provision that required China to satisfy the president that it had made "significant progress" on human rights.

In announcing the latest extension of MFN to China, Clinton said that the Asian nation continues to have "very serious human-rights abuses" but that granting the most-favored-nation trading status offered the United States "the best opportunity to lay the basis for long-term, sustainable progress in human rights and for the advancement of our other interests with China."

The U.S. Chamber praised the president's decision. "We are most pleased that the administration recognizes trade is but one of a number of issues the United States and China must resolve through cooperation, not confrontation," said Willard A. Workman, the Chamber's vice president, international.

Workman chafed, however, at the administration's suggestion of formulating a code of conduct for businesses operating in or trading with China.

■ Progress

Senate Passes Property, Risk Amendments

The U.S. Chamber of Commerce scored a double victory when the Senate voted in May to include two pro-business amendments in legislation to reauthorize the Safe Drinking Water Act.

The Senate passed the reauthorization legislation May 19 by a 95-3 vote.

One pro-business amendment would require all federal agencies to analyze the likely impact of their regulations on private property. The other would require the Environmental Protection Agency to conduct cost, benefit, and risk analyses on some of its regulations.

Sen. Dole sponsored the property provision.

The amendment on private-property rights, which was sponsored by Sen. Bob Dole, R-Kan., would require that federal agencies certify to the U.S. attorney general that a "takings impact assessment" was completed before any policy, regulation, or guideline is issued or before it recommends any legislative proposal to Congress.

Agencies would also be required to consider alternatives to policies or regulations that would result in a significant "taking" of property.

Under the Fifth Amendment to the U.S. Constitution, private-property owners must be compensated if their property is taken by the federal government.

The risk-assessment amendment was sponsored by Sen. J. Bennett Johnston, D-La. That measure requires the EPA to consider the effects of regulations that would cost businesses or individuals a total of $100 million or more per year to implement.

The EPA would have to analyze the costs and benefits of a proposed rule and compare the potential risks of the regulated activity or chemical, for example, to everyday risks, such as being killed in an auto accident.

The Safe Drinking Water Act, on which the Chamber took no position, would authorize $600 million for fiscal 1994 for local governments to build drinking water treatment plants or improve existing water systems.

In the House, proponents have been trying to attach the two pro-business regulatory measures to various environmental bills.

Sen. Johnston proposed the risk amendment.

Contact your representative and urge him or her to support measures requiring federal agencies to consider the effects of their proposed regulations on private-property rights and to weigh the costs, benefits, and relative risks of their policies and rules. Lawmakers can be reached through the Capitol switchboard at (202) 225-3121.

■ Business Ballot

While *The Business Advocate* is now being published monthly—except in September and January—the Business Ballot remains bimonthly. Watch for the next Business Ballot with your August issue of *The Business Advocate*.

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Transportation

Pushing For Progress

Pending legislation to create a national highway system should be adopted immediately, said the U.S. Chamber of Commerce and other business groups at a recent two-day transportation conference sponsored by the Chamber and the Highway Users Federation.

A national highway system is essential to business and the nation's ability to move goods to compete in a global market, the groups said.

Transportation Secretary Frederico Peña says the national highway system will form the "backbone" of a national transportation system.

John Doddridge, CEO of Magna International Inc. and chairman of the Highway Users Federation, at the lectern, and other business leaders, including Cooper Tire and Rubber Co. Chairman and CEO Ivan Gorr, left, who represented the U.S. Chamber, announced their support for quick passage of legislation to establish a national highway system at the recent transportation conference.

Similar bills pending in the House and Senate would designate as vital to the country's economy and defense key routes, connector roads, highways, and arteries that link cars and trucks with other modes of transportation.

Under the bills, states would receive $6.5 billion a year to make improvements and repairs to the designated roadways and for additional highway construction.

The Chamber said U.S. Transportation Secretary Frederico Peña should "pull out all the stops in his effort to secure passage of the National Highway System [legislation]. The immediate enactment of the NHS is a first step toward a transportation system that is national and intermodal in its scope."

Peña said in addressing the conference: "We'd like to get this [passage of NHS] done this year. The momentum is with us."

Rodney Slater, head of the Federal Highway Administration, emphasizes the importance of a national highway system to business.

The primary U.S. transportation law, the 1991 Intermodal Surface Transportation Efficiency Act, gave Congress until Sept. 30, 1995, to adopt national highway system legislation. The House, however, passed a bill on May 25 to create such a system, and proponents of the road plan are urging the Senate to move forward on its bill this year.

Political consultants who addressed the recent transportation conference on the 1994 elections included Bill Greener, left, and Linda DiVall. Frank Schmieder, CEO of Greyhound, moderated the discussion.

The House bill is sponsored by Rep. Norman Y. Mineta, D-Calif.; the Senate bill's sponsor is Sen. Max Baucus, D-Mont.

The proposed NHS—98 percent of which already exists—consists of nearly 159,000 miles of highways, including the more than 45,000 miles of the Interstate system, 17,000 miles of other highways designated by the U.S. Defense Department as critical for national defense, and 4,506 miles of roads designated by Congress as high-priority corridors.

Although it will make up less than 4 percent of the nation's public highways, the NHS is expected to carry 40 percent of all highway traffic and 75 percent of heavy truck traffic. Passage of the NHS bills—S. 1887 and H.R. 4385—says the Chamber, would:

- Create jobs by expanding markets for U.S. products, reduce transportation costs, boost industrial productivity, and make American goods more competitive at home and abroad.
- Improve safety on American highways by enhancing roads and bridges.
- Connect rural America with the rest of the nation; industrial sites with marketplaces, ports, airports, and other intermodal facilities; and military installations with one another.

GAIN UPDATE
GRASSROOTS ACTION INFORMATION NETWORK
U.S. Chamber of Commerce Federation

Panels Take Different Health-Care Paths

Variety of other critical business-related issues await action.

In pressing its American Plan for health-care reform, the U.S. Chamber of Commerce faces the challenge of dealing with five major congressional committees with primary jurisdiction over the issue.

Each is dealing with proposals for some form of an employer mandate, tax increases, and a greater government role in health care, which are the Chamber's top three targets for elimination.

The business organization's team of legislative strategists is pressing its membership-endorsed theme of no mandates, no new taxes, and no expanded government bureaucracy.

While their committees' bills have some similarities, the chairmen of the various panels with health-care jurisdiction have chosen different paths.

The House Ways and Means and Education and Labor committees and the Senate Labor and Human Resources Committee are all working on bills that would provide universal coverage, incorporate an employer mandate, and impose a tax on companies that self-insure their health coverage.

Each of these bills takes a regulatory approach to cost containment, but all shy away from President Clinton's mandatory regional alliances. Instead, they propose voluntary pooled purchasing arrangements for small businesses and individuals.

Each committee bill has idiosyncrasies. The Ways and Means legislation, proposed by Rep. Fortney "Pete" Stark, D-Calif., the chairman of the committee's health subcommittee, would add a Part C to the Medicare program. Under Stark's Part C, businesses with fewer than 100 workers could choose to cover their employees. In addition, Part C would be available to uninsured individuals.

It was unclear how the outlook for Stark's bill would be affected by the elevation of Rep. Sam M. Gibbons, D-Fla., to the acting chairmanship of the committee after a May 31 federal indictment forced Rep. Dan Rostenkowski, D-Ill., to relinquish that post.

How You Can Join GAIN

The Grassroots Action Information Network—GAIN—enhances the ability of business people to influence government decisions that affect their enterprises. Through the network, the U.S. Chamber staff of specialists on legislative and regulatory issues provides activist business people with the timely and thorough information they need to urge their members of Congress to cast pro-enterprise votes.

For more information on how you can become a member of this network, call (202) 463-5604.

ILLUSTRATIONS: EDWARD E. ANKERS III

The Education and Labor Committee's bill, proposed by Rep. Pat Williams, D-Mont., chairman of the panel's labor-management relations subcommittee, would require all businesses with 1,000 or more employees to obtain insurance on their own (rather than through a health alliance) and to pay a payroll tax.

In the Senate, the Labor and Human Resources Committee bill, sponsored by the panel's chairman, Sen. Edward M. Kennedy, D-Mass., would exempt firms with five or fewer employees from a mandate to pay a specified percentage (such as 80 percent) of their employees' premiums. It would open enrollment in the Federal Employees Health Benefit Plan—often touted as a model of choice—to the population at large.

Two other panels with primary jurisdiction on health-care legislation are the House Energy and Commerce and Senate Finance committees. The Energy and Commerce Committee has been deadlocked over whether employers should be required to provide health insurance to their workers. The Finance Committee, meanwhile, is moving from consensus areas, such as insurance reform, to more contentious issues. It has long been expected that this panel will be the last to approve a bill.

The political currents related to health-care reform are contrary: On one hand, Sens. David L. Boren, D-Okla., and J. Robert Kerrey, D-Neb., became the first Democrats to endorse the bill proposed by Sen. John H. Chafee, R-R.I., which would require individuals to purchase insurance. On the other, Sen. John B. Breaux, D-La., the chief Senate sponsor of a no-mandate bill similar to the measure sponsored by Rep. Jim Cooper, D-Tenn., expressed support several weeks ago for a mandate that would exempt only the very smallest businesses. Soon afterward, he moderated that position by proposing a trigger provision that would authorize a mandate if coverage targets are not achieved through market forces.

Meanwhile, most Republicans continue to oppose an employer mandate while supporting a requirement that employers make insurance coverage available to their workers. Increasingly, GOP lawmakers are talking about a more gradual, step-by-step approach to reform.

Perhaps the most controversial aspect of health-care reform continues to be how it will be financed. Each reform plan carries a price tag—ranging from $25 billion over five years for the most modest reforms to more than $400 billion over five years for a single-payer system. To recoup these costs, most plans would rely on some form of tax increases in addition to savings anticipated through various provisions of the plans.

Although called dead in the Senate, the idea of a broad-based tax continues to flourish in the House. Before he was forced to step down as the Ways and Means chairman,

Rostenkowski, who remains a member of the panel, reminded members that the tax-writing committees will find it virtually impossible to fund a significant reform plan in the absence of broad-based tax increases.

He estimates that if Congress does not require employers to pay for 80 percent of health-insurance premium costs, a broad-based health tax of around $40 billion annually would have to be imposed. This sentiment was echoed by Williams of the Education and Labor Committee before Congress' week-long Memorial Day recess.

The package approved by the subcommittee that Williams chairs is estimated at $6 billion per year below the amount needed to finance the bill, and Williams called for a "visible, broad-based tax" to make up the difference.

The debate over health-care reform has also placed payroll taxes on the table. The Ways and Means health subcommittee approved a plan imposing a 1 percent payroll tax hike on self-insured firms. And the single-payer proposals advanced by Rep. Jim McDermott, D-Wash., and Sen. Paul D. Wellstone, D-Minn., rely on payroll tax hikes of 7 to 9 percent. Congressional staff members estimate a 1 percent payroll tax would bring in around $31 billion annually.

Other proposals rely on more "indirect" tax increases through limits on the employer tax deduction, the employee tax exclusion, or both. The idea of limiting the deduction or exclusion was dealt a severe blow in recent weeks when the Congressional Budget Office revised downward its estimated revenue projection for such changes from $72 billion over five years to $25 billion.

Despite this revision, however, Finance Committee members continue to eye these changes as possible revenue options.

Financing will most likely be the last health-care issue settled in the current reform debate. Thus, the financing method chosen and the size of any tax hikes could profoundly affect whether a reform measure is enacted.

In the face of this prospect, many members of Congress are looking more closely at narrowing the scope for reform. For example, a bipartisan bill introduced by Reps. J. Roy Rowland, D-Ga., and Michael Bilirakis, R-Fla., had 63 co-sponsors at the end of May; it contains only elements on which there is broad consensus, such as insurance and malpractice reforms and greater emphasis on preventive care.

The Chamber needs your help to make sure its message is not only heard but acted on by lawmakers. Contact your representative and senators and ask them to say no to mandates, new taxes, and more government; ask them to say yes to market-based, focused reforms that build on the strengths of the current system.

The Chamber's health-care team would also like to hear about your contacts with lawmakers, especially any successes you have. Please fax brief messages to the team at (202) 887-3445, or write Health Care Team, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062-2000.

Proposed Accounting Rule Would Have Major Impact On Some Small Firms

The Financial Accounting Standards Board (FASB) has issued a proposed standard that would require companies to reflect immediately a charge against earnings when they issue stock options to their employees or purchase plan discounts.

The U.S. Chamber of Commerce is participating in a coalition of business groups opposed to the draft standard and has outlined problems with the proposal in a letter to FASB Chairman Dennis Beresford. It has also co-signed a letter with other organizations to Securities and Exchange Commission Chairman Arthur Levitt urging the SEC to exercise its statutory oversight role to discourage FASB from taking final action on the draft rule.

The rule could unfavorably color the balance sheets of companies using stock-based compensation, the Chamber noted. By artificially depressing earnings, the FASB approach would hinder these firms' access to the venture-capital market and to the equity markets if the companies are taken public.

The target FASB has set for making the standard final is the end of the year, but the high level of controversy over the proposal could delay the plan. Beresford of the FASB has indicated that the organization may consider a compromise plan that would vary the treatment of stock options based on the period the stock is held.

Meanwhile, on Capitol Hill, Sen. Carl Levin, D-Mich., has introduced legislation, S. 259, that would codify the proposed FASB standard. The Chamber has co-signed a letter with other organizations urging senators to oppose the Levin bill.

On May 3, the Senate approved 88-9 an amendment to the proposed Fair Credit Reporting Act expressing the nonbinding opinion of the Senate that the FASB draft standard should be withdrawn. The Chamber and 17 other business organizations signed a letter to the Senate supporting such an amendment.

For more information on how the proposed standard would affect companies, watch for the August issue of Nation's Business.

Critical Senate Vote Pending On Product-Liability Reform

The U.S. Chamber's long battle for product-liability reform could be producing results.

Prospects for passage this year are considered the best since the liability-reform measure was introduced over a decade ago.

Senate debate on the Product Liability Fairness Act was expected to begin June 24 and continue after Congress' Fourth of July recess. A final vote on the measure is expected in mid-July.

This is the first time in this Congress—and only the second time in more than 10 years of debate on the issue—that the legislation has reached the stage of floor action, indicating growing congressional receptivity to the business position on this issue.

Among other important reforms, the Product Liability Fairness Act (S. 687), sponsored by Sen. John D. Rockefeller IV, D-W.Va., would establish a nationwide, uniform product-liability law.

A federal statute would pre-empt many of the inconsistent and often conflicting state provisions that govern liability for product-related injuries. In doing so, it could save business millions of dollars in court costs and injury-compensation claims.

The legislation has bipartisan support in both houses of Congress and the backing of Rep. John D. Dingell, D-Mich., chairman of the Energy and Commerce Committee, one of the key committees with jurisdiction over the legislation in the House.

For the House to consider its bill before Congress' scheduled October adjournment, the Senate must act on its measure soon.

Dingell has indicated that his committee will move forward on a similar House bill (H.R. 1910) once the Senate approves its measure.

The Senate bill was approved earlier in the session by the Commerce, Science and Transportation Committee on a vote of 16 to 4.

As business knows, reforming product-liability law is critical. The patchwork of state laws has proved an inefficient system for businesses that manufacture or market products beyond their own state borders. In most states, about 70 percent of all goods manufactured in-state are then shipped elsewhere.

Businesses have found that contending with 50 state product-liability laws leads to greater inefficiencies and higher costs.

Perhaps more important than the uniformity that a federal law would provide is the greater fairness that would result in the relationship between plaintiffs' and defendants' rights. S. 687 and its House counterpart, H.R. 1910, would strike a better balance between consumer and business interests than that which exists today.

For example, the legislation says that a defendant would not be found liable in a product-liability lawsuit if the plaintiff's impairment by illegal drugs or alcohol was the principal cause of the injury. Currently, almost a quarter of the states would allow a finding of liability against the defendant-manufacturer or seller in this situation.

The legislation would also end the current practice in which a defendant with the greatest assets, or "deep pockets," is often forced to pay for all the noneconomic damages—emotional distress, pain and suffering—incurred by a plaintiff, regardless of how many other defendants were at fault and the degree of their fault.

Under the Senate bill, the various defendants in a lawsuit would be responsible for paying compensation only in relation to the respective degree of fault.

The legislation would also benefit consumers by allowing for voluntary, less-expensive alternatives to court trials, such as nonbinding arbitration, as a way of resolving product-liability disputes. The bill contains incentives for litigants to settle their lawsuits faster. Injured consumers would receive compensation with less delay and lower legal expenses.

Business people should call their senators to urge passage of the Product Liability Fairness Act. Also, urge your representative to support H.R. 1910. You can reach your lawmakers through the Capitol switchboard at (202) 224-3121.

Administration Urged To Strengthen Its Commitment To Regulatory Relief

The Clinton administration must be more committed to easing the regulatory burdens on small business, the U.S. Chamber of Commerce and other business groups recently told the White House's top regulatory official.

The business groups met with Sally Katzen, the administrator of the White House Office of Information and Regulatory Affairs (OIRA), to discuss the progress of the regulatory-review process that President Clinton established last year with the stated goal of reducing the burden of federal rules on small business.

OIRA, part of the Office of Management and Budget, reviews agency regulations and paperwork requests to determine how projected costs compare with projected benefits.

The business groups made three points to Katzen:

- Dialogue between OIRA and business must continue. Business wants to meet with the OIRA head on a regular basis, said Lorraine Lavet, manager of domestic policy for the U.S. Chamber, who organized the meeting.
- It is still too early—just over eight months since the regulatory executive order was signed—to tell how the review process is working.
- There are indications that some regulatory agencies are ignoring the paperwork and regulatory-review laws.

Also during the discussion, business asked the administration to support legislation to strengthen and reauthorize the Regulatory Flexibility Act and the Paperwork Reduction Act. (A report on the Chamber's efforts on the paperwork law appears below.)

Although the White House has stated its support for the two laws, the administration recently opposed an amendment to the National Competitiveness Act that would strengthen the Regulatory Flexibility Act by adding a provision for judicial enforcement of the law, which requires federal agencies to consider the impact of their rules on small businesses. Currently, there is no recourse against agencies that refuse to abide by the regulatory review law.

The administration says its opposition is merely to the amendment's attachment to the competitiveness act, which would authorize $1.9 billion over two years to the U.S. Commerce Department to promote U.S. products and processes through public-private research and development.

The competitiveness act currently is being considered by a conference of House and Senate lawmakers who must reconcile differences in competing bills. The House version does not include the Senate-approved regulatory-flexibility amendment or a provision that would require that all measures considered by Congress and all proposed regulations be accompanied by an analysis of how they would affect the economy and employment.

The Chamber is urging the conferees to retain those two provisions, which were sponsored by Sens. Malcolm Wallop, R-Wyo., and Don Nickles, R-Okla., respectively.

U.S. Chamber Takes Major Role In Planning Summit Of The Americas

The U.S. Chamber has been asked by organizers of the Summit of the Americas to serve as the clearinghouse for the business community's priorities at the year-end meeting of the 32 democratically elected leaders of the Western Hemisphere.

As a result, the Chamber is leading a business-community effort to develop a blueprint for consolidating reforms in the region and for expanding on the principles of the North American Free Trade Agreement (NAFTA) with the goal of achieving a Western Hemisphere Free Trade Zone.

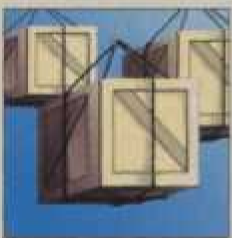
(Cuban dictator Fidel Castro is the only Western Hemisphere leader not being invited to the summit. The U.S. has maintained an embargo against Cuba for nearly 40 years. While most major U.S. trading partners, including a majority

of those in Latin America, do not impose an embargo, U.S. policy would exclude that country from a Western Hemisphere Free Trade Zone unless significant changes were made in its political and economic structures.)

Expanding trade in the hemisphere will top the agenda at the historic meeting Dec. 8-10 in Miami.

The summit, the first of its kind in 37 years, will provide a major opportunity for consolidating efforts to implement a free-trade zone throughout North America and South America.

Latin America has overcome decades of political instability and economic protectionism to become the fastest-growing export market for the United States—up 20 percent in 1992 alone.



The U.S. investment in Latin America rose nearly 17 percent in 1992 to $89 billion. Private participation is now being encouraged even in "strategic" areas long monopolized by the state, such as oil, telecommunications, and transportation.

In 1993, U.S. merchandise exports to Latin America reached $78.4 billion—rising from $25 billion 10 years ago. In that same period, the United States went from an $18 billion trade deficit with Latin America to a $4.2 billion surplus. As a result, more than 1.5 million Americans owe their jobs to American exports to Latin America.

The news for the first quarter of 1994 is even better. Spurred by NAFTA and the increased interest in Latin America generally, U.S. exports to Mexico are up a remarkable 16 percent over last year, and U.S. exports to the rest of Latin America are up 8 percent.

At this rate, U.S. exports to Latin America will surpass $88 billion in 1994, with more than half of that total going to one country: Mexico.

As barriers to trade and investment have fallen, the economies of the region have become interdependent. NAFTA is the most far-reaching trade agreement within the region, but it is not the only one. Subregional trade blocs are already making it easier for companies to maximize economies of scale and other production and distribution benefits in the region. For example, Mexico, Colombia, and Venezuela have recently concluded the so-called "G-3" agreement to link their nations.

Despite all the good news in the hemisphere, trade expansion in the region is still not guaranteed. President Clinton has promised to negotiate next with Chile, but there is no clear plan for doing so. That is why this December's Summit of the Americas will be critical for the entire region as nearly every country in the region looks to U.S. leadership for a road map to expand NAFTA south.

If you would like to be part of the historic effort to expand trade throughout the Western Hemisphere, please contact the U.S. Chamber's NAFTA Implementation Team at (202) 463-5485.

Nunn-Bumpers And Sisisky-Clinger Paperwork Bills Would Be Best For Business

The Senate Governmental Affairs Committee was expected to take action in June on legislation to bring relief to business from the overwhelming burden of federally mandated paperwork.

The U.S. Chamber of Commerce urged the committee to approve a measure sponsored by Sens. Sam Nunn, D-Ga., and Dale Bumpers, D-Ark., to reauthorize and strengthen the Paperwork Reduction Act, which was adopted in 1980 and expired in 1989.

The Chamber is backing similar legislation in the House sponsored by Reps. Norman Sisisky, D-Va., and William F. Clinger Jr., R-Pa.

The Nunn-Bumpers and Sisisky-Clinger bills (S. 560 and H.R. 2995, respectively) would reauthorize the paperwork law for five years, require a 5 percent annual reduction in government paperwork, and strengthen the ability of the federal Office of Information and Regulatory Affairs (OIRA) to ensure that regulatory agencies comply with the paperwork statute. OIRA, part of the Office of Management and Budget, is charged with reviewing federal agencies' regulations and paperwork requests to determine their projected costs and benefits.

The bills also would reverse a 1990 U.S. Supreme Court decision that said OIRA cannot review agency requests for information that must be disclosed to a third party. It can only review requests to disclose information to the federal government. That ruling effectively cut OIRA's paperwork jurisdiction by one-third, according to the law's proponents.

The Chamber believes a paperwork-reduction proposal sponsored by Senate Governmental Affairs Committee Chairman John Glenn, D-Ohio, does not place enough emphasis on reducing the paperwork burden on business and gives federal regulatory agencies too much discretion over whether and how to require information.

There also are concerns that the Glenn measure doesn't go far enough in addressing the Supreme Court's paperwork ruling and that it doesn't hold agencies sufficiently accountable for failing to comply with the paperwork law. The Chamber says it would support amending the Nunn-Bumpers bill with provisions from the Glenn proposal that would enhance OIRA's role in managing and disseminating government information.

The Chamber testified on the paperwork statute before Glenn's committee in mid-May, along with the business-backed Paperwork Reduction Act Coalition, to which it belongs.

Lorraine Lavet, director of domestic policy for the Chamber, told the panel that paperwork burdens on business are continuing to increase and are causing a diversion of resources from other business activities, such as capital improvements and job creation.

She said that businesses, particularly small ones, suffer from the onslaught of unfunded federal mandates just as state and local governments do.

She urged swift action on the Nunn-Bumpers bill.

Federal paperwork costs the nation nearly 7 billion hours a year of lost work time, according to the Chamber, which points out that much of the paperwork is duplicative and unnecessary. Several studies on federal regulations have found that reauthorization of the paperwork law could save the economy more than $6 billion a year.

Call senators and representatives and urge them to support the Nunn-Bumpers and Sisisky-Clinger bills to reduce government paperwork. Lawmakers may be reached through the Capitol Hill switchboard at (202) 224-3121.

■ Lobbying

A New Round On IRS Rules

The U.S. Chamber of Commerce is pushing for repeal of a lobbying law now that the Internal Revenue Service has issued new proposed rules on key aspects of the statute.

The lobbying law was adopted as part of the 1993 budget bill. It eliminates the tax deduction for expenses incurred lobbying the federal or state governments and requires businesses, associations, and chambers of commerce to keep detailed records of their lobbying and nonlobbying activities.

The Chamber will file comments expressing its concerns about the new proposed rules and calling for repeal. It has also requested to testify Sept. 12 at an IRS regulatory hearing on the rules.

The IRS recently issued definitions for "lobbying communications," "influencing legislation," and "activities related to lobbying." In comments to the agency on rules proposed before this latest set of proposed regulations, the Chamber had asked regulators to adopt existing IRS definitions for those terms.

The existing definitions specify activities that are not considered lobbying, such as an organization's communications with its members about legislation; appearances before legislative bodies on issues affecting the organization; and technical advice or assistance to legislative bodies in response to a written request.

The IRS decided to exempt communications with an organization's members, as the Chamber had requested, but it did not exempt communications with most government officials unless such communications are subpoenaed.

The Chamber also had asked the IRS to exempt an organization's nonpartisan analysis, study, or research of legislation.

But the IRS's definition for "activities related to lobbying" proposes that such activities include "research, preparation, and other background activities engaged in for a purpose of making or supporting" lobbying.

The IRS still must issue rules on "grass-roots lobbying," "political campaign activity," and communications with executive branch officials that are not related to legislation.

While the Chamber called for the effective date of the lobbying law to be no earlier than 120 days after the adoption of the law's final rules, the IRS made May 13, 1994, the effective date for the new proposed rules.

■ Paperwork

Lorraine Lavet, left, director of domestic policy for the U.S. Chamber, recently told the Senate Governmental Affairs Committee that the federal paperwork burden on business continues to grow. She urged lawmakers to approve legislation sponsored by Sen. Sam Nunn, D-Ga., above right, who was conferring at the hearing with panel Chairman John Glenn, D-Ohio. Nunn's bill would cut government paperwork requests. For details on the legislation, see Page 98.

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■ International

GATT Focus Shifts To Financing

Sen. Max Baucus, D-Mont., called for waiving a federal budget rule that could delay implementation of the GATT agreement. He was speaking to a GATT coalition that was meeting at the Chamber.

The U.S. Chamber of Commerce is working steadily to obtain congressional approval of the General Agreement on Tariffs and Trade by the end of the current session of Congress.

While many details in the legislation to implement the trade pact remain to be worked out, the pressing issue now is how to pay for it.

Capitol Hill action on the agreement is being delayed by a federal budget rule that requires Congress to offset additional spending by reducing other outlays or raising revenue.

Although GATT will be a revenue producer in the long term, it will result in the loss of an estimated $14 billion in revenue to the U.S. government over the first five years because of reduced tariffs.

At least one senator, Max Baucus, D-Mont., the chairman of the Senate Finance Subcommittee on International Trade, advocates waiving the budget rule so that Congress can focus on resolving the remaining areas of controversy and approve the agreement.

Waivers have been used several times since the so-called pay-as-you-go rule was instituted four years ago. They have been approved by Congress to pay costs of the Gulf War and to help victims of the recent Midwest floods and the Los Angeles area earthquake.

The Chamber does not view a waiver alone as a good solution to the GATT budget dilemma. "Our organization is focusing on spending cuts," says Willard A. Workman, Chamber vice president, international, but "we anticipate that Congress will move toward a mix of revenue raisers, spending cuts, and possibly the use of the waiver in later years."

As controversy has increased over the past few months, the focus has shifted from elements of the GATT to simply getting it approved. "We want the GATT passed this year," says Workman. To that end, the Chamber helped found in February the Alliance For GATT Now, a coalition of U.S. companies and organizations. Its principal goal is passage of the GATT agreement this year.

In addition to addressing the immediate budget impasse that could threaten passage of the measure to implement the trade pact, the Chamber has not lost sight of changes needed in the legislation.

These include clarification of anti-dumping laws, specific language regarding intellectual-property protection, and assurances that U.S. trade laws will not be compromised.

The agreement has been faulted by critics who say that the new World Trade Organization that it would create would threaten U.S. environmental, labor, and consumer standards or would prevent the United States from using its laws to address foreign countries' unfair trade practices.

Criticisms about GATT's weakening U.S. sovereignty are unfounded, says the Chamber. "First," says Workman, "it is necessary to have some administrative mechanism for GATT. Second, the U.S. will benefit by having the dispute-settlement mechanism. The Chamber and its members have been pushing for this for eight years," says Workman.

There is no deadline for President Clinton to send GATT implementing legislation to the Congress, but to ensure passage this year, a measure would need to be introduced in the legislature this summer. The accord is scheduled to go into effect July 1, 1995.

■ Trade

In recent addresses at the U.S. Chamber, Rep. Bill Richardson, D-N.M., left, and Rep. Jim Kolbe, R-Ariz., discussed the importance of expanding the North American Free Trade Agreement to countries south of Mexico. They made their remarks at a meeting of the Association of American Chambers of Commerce in Latin America. The association, which is affiliated with the U.S. Chamber, is the umbrella group for 20 chambers in 20 Latin American nations.

Striker Bill

The efforts of senators, including Larry E. Craig, R-Idaho, right, and a coalition of businesses led by the U.S. Chamber of Commerce and its president, Richard L. Lesher, left, have stalled a vote on legislation to prohibit employers from permanently replacing striking workers.

Legislation

U.S. Chamber Helps Kill Wage-Rule Extension

Heavy pressure from the U.S. Chamber of Commerce and other business groups helped kill an expected amendment to a procurement-reform bill that would have expanded a federal wage law.

That law, the Davis-Bacon Act, requires contractors on federally funded projects of $2,000 or more to pay their workers the area's prevailing wage, which is typically the union wage.

Davis-Bacon applies only to workers on the job site. The new proposal would have extended coverage to a project's off-site manufacturers and suppliers and to truck drivers who make deliveries to federally funded job sites.

Proponents of widening the law had planned to offer an amendment to the Federal Acquisition Streamlining Act, which was set for a Senate floor vote in early June. But strong opposition from business, led by the U.S. Chamber, forced backers to forgo proposing the amendment.

The Chamber has repeatedly argued for repeal of the Davis-Bacon Act, which the U.S. General Accounting Office has found adds millions of dollars annually to the costs of federally funded construction projects.

At a minimum, however, the Chamber would like Congress to raise the contract amount at which the prevailing wage must be paid.

The Chamber has called on the Senate to support recommendations made by the Clinton administration to increase the contract amount to $100,000 from $2,000.

The Chamber-backed plan also would allow contractors to certify compliance with the Davis-Bacon Act to the U.S. Department of Labor; currently, they must submit detailed weekly payroll reports to the department.

Regulation

Plant-Closing Bill Would Expand Law

The 1988 plant-closing law would be broadened to cover smaller companies under legislation introduced in Congress.

The law requires companies with 100 or more employees to give 60 days' notice of a plant closing or a layoff that results in 50 or more lost jobs if that number is at least 33 percent of the work force.

Under legislation sponsored by Sen. Howard M. Metzenbaum, D-Ohio, and Rep. William D. Ford, D-Mich., companies with 50 or more workers would be covered by the law.

Firms closing a plant or making a layoff that results in a loss of employment for 25 to 49 workers would be required to give 30 days' notice to those employees; 50 to 99 employees, 60 days' notice; 100 or more workers, 90 days' notice.

The 1988 statute was vigorously opposed by the U.S. Chamber of Commerce, which is now voicing strong opposition to the proposal to expand the law.

Under the statute, titled the Worker Adjustment and Retraining Notification (WARN) Act, notice must be given regardless of the percentage of the work force affected if 500 or more workers lose their jobs. A firm with several sites that meets the WARN criteria but has a layoff of no more than 49 workers at a single location is exempt from the notification requirement.

The new measures (S. 1969 and H.R. 4072) would delete the exemption that allows companies to forgo giving notice of a plant closing or layoff if less than 33 percent of the work force would be affected. It would also rescind the single-site exemption.

Although there has been little action in either house on the plant-closing legislation, proponents have indicated that they may try to attach the measures to bills that are moving in Congress, such as legislation to consolidate federal training and employment programs.

Contact your senators and representative and urge them to oppose any efforts to expand the plant-closing law. Lawmakers can be reached through the Capitol switchboard at (202) 224-3121.

Litigation

Workplace Safety Violations At Issue

A case being argued by the U.S. Chamber's public-policy law firm before the Occupational Safety and Health Review Commission has far-reaching ramifications for business.

The National Chamber Litigation Center (NCLC)—the Chamber's nonprofit legal affiliate—is asking the commission to determine the extent to which an employer may be penalized for a single workplace condition that allegedly violates the General Duty Clause of the statute.

The commission sets penalties under the Occupational Safety and Health Act.

In the case before the commission, the Arcadian Corp. was cited by the U.S. labor secretary for an egregious, willful violation of the General Duty Clause for failing to furnish safe employment to its workers. The citation followed a 1992 explosion at the company's Lake Charles, La., fertilizer plant.

Under the OSHA law, the company could be fined a maximum of $70,000 for a willful violation. But, under a per-employee penalty policy adopted in 1990, the secretary of labor cited the company for 87 violations: one charge for each of the employees allegedly exposed to the explosion.

With a penalty of $50,000 for each violation, the company was fined $4.35 million.

In January 1994, an administrative law judge dismissed the 87 separate charges—leaving just one violation. The Labor Department subsequently asked the review commission to reinstate all of the violations.

Among its arguments, NCLC says that allowing the imposition of multiple violations for one violative act—and thus raising the fine over the statutory limit—would diminish the final authority over penalties that Congress gave the commission. Further, it would be inconsistent with commission rulings in other cases, NCLC says.

The litigation center also argues that the labor secretary's policy of looking at the number of employees exposed to a hazard already is a factor used by the commission in setting penalties.

If the labor secretary's penalty policy is allowed to stand, says NCLC, "an employer's liability for a single violative condition could become large and unpredictable and could well bear no relationship to the alleged wrongfulness of the employer's conduct."

The Chamber's legal affiliate, which filed a brief on behalf of Arcadian, is also participating in these business cases now before various courts:

Clean Water Act

In *Colorado Refining Company vs. Sierra Club*, NCLC is arguing to the U.S. 10th Circuit Court of Appeals in Denver that releases of pollutants to ground water are not violations of the Clean Water Act.

The Sierra Club alleges that the Commerce City, Colo., petroleum refinery violated the Clean Water Act because spills and leaks seeped into ground water and eventually ran into a local creek—a "navigable water of the United States." Under the Clean Water Act, a permit is required to discharge a pollutant to navigable waters from a "point source."

The Chamber's public-policy law firm is challenging OSHA's policy of imposing fines for each employee exposed to a single unsafe workplace condition.

NCLC points out in its brief, however, that ground water is not "navigable water" within the meaning of the Clean Water Act and that a "point source" is defined as "any discernible, confined, and discrete conveyance," such as a pipe, ditch, conduit, or container.

Pollutants released to ground water, says NCLC, already are regulated by the states and other federal environmental statutes. The center also notes that Colorado Refining has agreed to correct ground-water pollution problems under the federal Resource Conservation and Recovery Act.

Finally, says NCLC, even if ground water were covered under the Clean Water Act, spills and leaks—currently applicable only to surface water—are regulated under a section of law that cannot be enforced through a suit by a private party.

"The potential implications of Sierra Club's position are staggering," says NCLC. "Thousands of waste-water treatment ponds, reservoirs, storm-water collection basins, and a variety of similar impoundments may release pollutants to ground water, which might migrate to surface water," it notes.

In addition, it says, "agriculture, forestry, and even recreational activities [such as maintaining golf courses] also release pollutants which may reach ground water."

Strategy Protection

In *E.I. du Pont de Nemours & Co. vs. Ibarra*, the litigation center is urging the Supreme Court of Hawaii to uphold the "attorney work-product doctrine," which protects a lawyer's strategy in a case.

In the Du Pont case, a circuit court judge ruled that Du Pont must disclose the results of soil tests it conducted throughout the United States at its lawyer's request. Specifically, the judge said, Du Pont must disclose the results to farmers in Hawaii who are suing the company on charges that a fungicide it manufactured allegedly damaged their crops.

Du Pont already has disclosed test results from the farms in Hawaii to the farmers' attorneys.

NCLC argues in its brief that the soil tests conducted in other states are work-product documents being used by Du Pont's lawyers for the defense in the Hawaii lawsuits and thus are protected from being disclosed to the attorneys for the farmers.

Such work-product documents can be ordered disclosed if the opposing attorney can show that a "substantial need" for them exists and that producing the documents on his or her own would pose an "undue hardship." The litigation center argues that the farmers' attorneys weren't able to do that.

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■ Management

Boosting Performance Is Focus Of Seminars

"Creating a High-Performance Work Culture," the U.S. Chamber of Commerce's fall series of 11 satellite seminars, will get under way in September, propelled by the success of the spring series.

The seven spring seminars, produced by the Chamber's Quality Learning Services division, were hosted by 213 organizations (some at more than one site). That was almost four times the number of hosts for the spring 1993 series.

State and local chambers continued to make up the largest number of hosts, but support for the spring series broadened to the point that more than half the hosts were businesses, educational institutions, government agencies, and other nonprofit organizations.

The dates, leaders, and subjects of the fall seminars are:

Sept. 14: John O. Whitney, director of the W. Edwards Deming Center for Quality Management at Columbia University, "The Trust Factor."

Sept. 20: Authors Kevin J. Clancy and Robert S. Shulman, "Marketing Myths That Are Killing Business."

Sept. 27: Brian L. Joiner, CEO of the consulting firm Joiner Associates, "Management by Fact: Are You Making Things Better or Worse?"

Oct. 4: Author and consultant Michael E. Gerber, "The E-Myth: Why Most Businesses Don't Work and What to Do About It."

Oct. 11: G. Howland Blackiston, president of the Juran Institute, "Designing Quality into New or Existing Products and Services."

Oct. 18: A. Blanton Godfrey, chairman of the Juran Institute, "Quality Improvement Tools with Today's New Technology."

Oct. 25: David Hanna, senior consultant at the Covey Leadership Center, "Developing a High-Performance Work Culture: Managing the Moments of Truth."

This program will open with a special interview with Stephen R. Covey, founder of the Covey Leadership Center and author of *The Seven Habits of Highly Effective People* (Simon & Schuster/Fireside).

Nov. 1: Author and consultant Peter Scholtes, "Motivating Employees: Myth or Reality?"

Nov. 8: Brian Joiner, "The Power of Believing in People."

Nov. 29: Keith Gulledge, senior consultant at the Covey Leadership Center, "Increasing Quality Performance with Principle-Centered Leadership."

Dec. 6: Author Joel Barker, "Paradigm Hunting: How to Explore the Future More Effectively."

All seminars will air from 1 to 3 p.m. Eastern time. For one to four programs, the price is $795 per program; five to nine programs, $715 per program; and 10 or 11 programs, $675 per program.

A $100 discount is available for those who register before July 15, and U.S. Chamber members, governments, and educational institutions are entitled to a 5 percent discount. Special network prices are also available.

For more information, call Quality Learning Services at 1-800-835-4730 or (202) 463-5940.

■ Chamber Address

Rep. James A. Hayes, D-La., told the U.S. Chamber's Energy and Natural Resources Committee that Congress must consider the rights of individuals and the potential burdens on business when it reauthorizes and rewrites the Clean Water Act. Hayes, who serves on the House Public Works Committee, which has jurisdiction over the water law, said the "future prominence of the U.S. economy" and "the ability to address environmental problems" is at stake in rewriting the statute. **See related story on Page 91.**

■ Vote Set

Bill Would Expand Exports

Legislation expected to boost U.S. exports is ready for floor action in the House.

The bill, strongly supported by the U.S. Chamber of Commerce, would revamp the Export Administration Act, which controls the shipment of products, such as computers, and processes that can be used for both military and civilian purposes.

The legislation was approved by the House Foreign Affairs Committee in mid-May.

It would ease restrictions on all exports and shift the focus of trade controls from preventing products from reaching formerly Communist nations to countries that harbor terrorists. It also would streamline export-licensing procedures and tighten restrictions on products and processes used for weapons of mass destruction.

Meanwhile, a Senate bill to reauthorize the export act would do little to ease current export controls. The Senate legislation is pending in the Banking Committee. A House-Senate conference committee likely will have to reconcile differences in the competing bills. The Chamber is urging lawmakers to adopt the House version and will push for adoption of House provisions when the legislation goes to a conference panel.

Contact your representative and senators. Ask them to urge conferees on the Export Administration Act reauthorization to support the House version of the legislation. The addresses are: U.S. Senate, Washington, D.C. 20510; U.S. House of Representatives, Washington, D.C. 20515.